MACQUARIE UNIVERSITY | FACULTY OF BUSINESS AND ECONOMICS

COVER SHEET

Class number: 6
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Self and Peer
Contribution Evaluation Form

To encourage equal participation in this group assessment task, each group will complete an member contribution evaluation form. This evaluation will indicate the percentage of contribution of group members to the group's overall performance. If, in any group, there are complaints that a group member has not contributed approximately equally then the complaint will need to be reported in writing to the Unit Convenor. Following such a report the whole group will meet with the Unit Convenor to discuss the issue and the Unit Convenor may re-allocate marks appropriately. In the event that any group member does not attend such a meeting then the necessary re-allocation decision will be made by the Unit Convenor on the basis of discussions with those who do attend.

Each group should give each group member (including themselves) a participation mark out of 100%. Individual marks are calculated by multiplying the paper mark by the percentage awarded by peers. For example, if Joe Bloke was awarded 90% for his contribution to the task and his group received 36 out of 40 points for the assessment task, Joe's individual mark would be 32.4%. Another student, awarded 100%, would receive 36 points.

Students can give each of the group members 100%. If this is done, each student receives the mark that was awarded to the total simulation task (in the above example, 36 marks). No student should receive 0% unless the student really did nothing to contribute to the completion of the assessment task. **ONLY ONE FORM PER GROUP.**

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43684270	Chen (Nina) Li	100
44059930	Hoai Thuong Vuong	100

In completing this form you should take into account:
1. Willingness of the individual to carry out jobs assigned
2. Ability of the individual to meet deadlines
3. Co-operation with other group members

Group member signatures:

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This report was prepared on the 14 of June 2017 by AVL's CEO, CFO, Production Manager and the Marketing Team and Manager to the AVL Board of Directors and Shareholders.

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1 Executive Summary

1.1 Purpose of Report

This report provides an analysis of the current financial position of Australian Vintage Limited (AVL). Looking at the recent economic position of wine companies listed on the ASX, the recovery of profit is something that is not only important for management as a whole but also of particular interest to numerous shareholders of AVL. AVL has recently experienced a loss of $2 million in the 2016 financial year. Given these losses, the report will make business propositions to return AVL into profits and ensure a sustainable future providing action plans for how these propositions can be put into play and analytical insight projecting estimated results from propositions suggested.

1.2 Method of analysis

Research for this report was undertaken through examinations of AVL's financial statements, industry reports, research papers and useful websites. Through initial analysis of AVL financial performance and position, key areas of possible improvement for AVL were identified. Ratio analysis such as return on equity were utilised to better understand AVL current financial position. Once these areas were identified, statistical analysis of research conducted by significant industry partners such as Wine Australia were undertaken to determine potential strategies to increase revenue and reduce costs ultimately increasing our profits. Subsequently, reports from organisations such as the Australian Bureau of Statistics and Department of Foreign Affairs and Trade were examined and data such as statistics, figures, graphs and tables were included.

Data analytical tool such as PowerBI, Qlik and Excel were used to find key insights within data sets helping identify root causes of AVL losses, trends, and create predictive model. Research was conducted in this manner to ensure findings presented in this report were a faithful representation of the industry and highlighted real opportunities for AVL to return a profit.

1.3 Proposals to improve revenue and results

There are numerous avenues in which AVL can recover from the losses that they have incurred within the current financial year however while they come in multitudes, the

following report has isolated four distinct strategies that aim for AVL to effectively recover and restore a profitable position for the upcoming financial year.

AVL should first conduct consolidated analysis of current and prior year balance sheet accounts through financial ratio analysis to determine current trends and identify where adjustments are required for future growth. It is suggested that AVL undertake inventory management strategies to better utilise assets held to potentially reduce wastage of resources.

Given key insights identified it is firstly recommended that AVL focus on cost reduction to improve revenue targeting cost of sales, distribution, exports resulting from risky foreign currencies such as the British pound and other general costs.

The external market is also a key area of importance for AVL in the future with two of the strategies for recovering profits being centred around the international scope. One expanding into countries that now provide us new opportunities with the existence of the Trans-Pacific Partnership. While the other strategy recommended is to recover profits by expanding into profitable wine markets overseas and taking advantage of trends that exist within these markets to recover losses.

The external market is also a key area of importance for AVL in the future with two of the strategies for recovering profits being centred around the international scope. One expanding into countries that now provide us new opportunities with the existence of the Trans Pacific Partnership. While the other strategy is to recover profits by expanding into profitable wine markets overseas and taking advantage of trends that exist within these markets as to recover losses.

Finally, the last strategy that has been given within this report is for AVL to expand further into the tourism industry and form strategic partnerships with accommodation providers for tourists. AVL can subsequently create increased awareness about AVL's brand through effective connections with individuals visiting Australia. Hence, adding to ways that profit can be recovered by regaining losses to AVL in the current financial year.

2 Analysis of Australian Vintage Limited

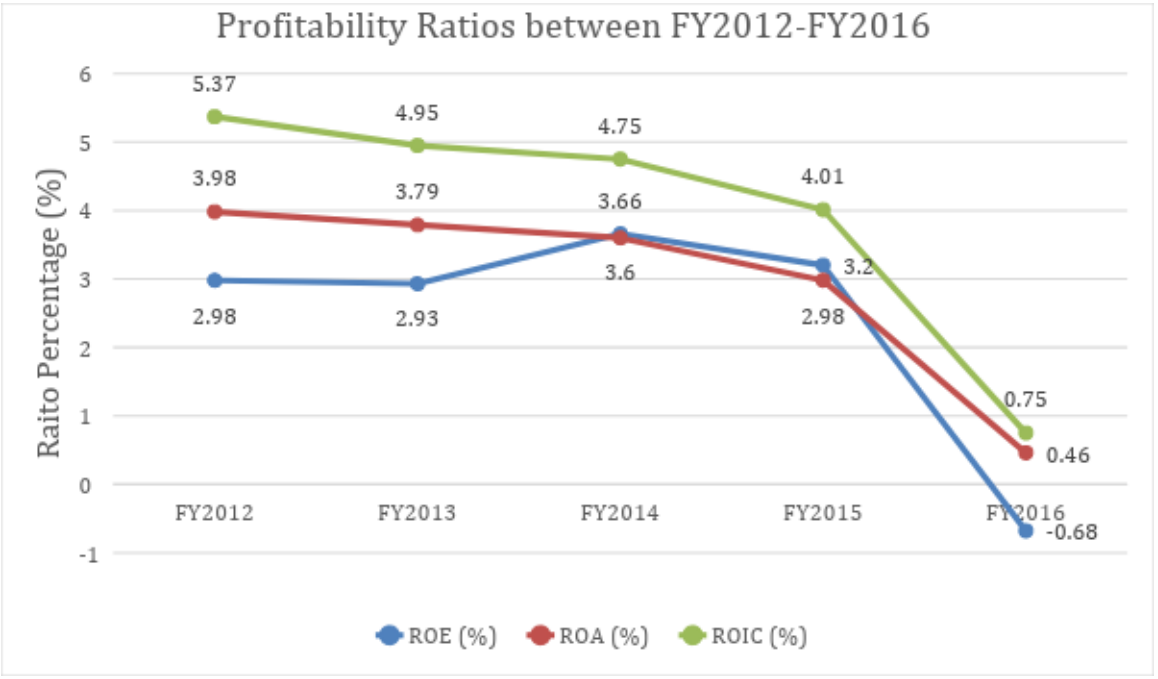
AVL has been in decline over the past two years. In the 2015 financial year, a decline in net profit after tax of 11% was recorded, partially attributed to lower than expected crop from AVL's vineyards. In turn, it adversely affected self-generating and regenerating asset (SGARA) profit (Australian Vintage Limited 2015, p. 6). Also, the 2016 financial year incurred a net loss after tax of $2 million, due to the cost of terminating an onerous vineyard lease (Australian Vintage Limited 2016, p. 6). It is therefore, important to investigate AVL's financial results, analysing root cause of losses to subsequently determine the strategic and operational plans that can be put in place for recovery. It could also help to prevent further losses in later years.

In financial ratio analysis, it is often useful to utilise historical trend analyses. Furthermore, it is recommended to consider the general rules of thumb, and compare the ratios with another company (Investopedia 2017a; 2017c). For this reason, it is good idea to do a peer company comparison, that is, comparing with a company of similar business type and product line (Investopedia 2017b). Treasury Wine Estates Limited (TWE) is a competitor for AVL and is the only other ASX listed company within the wine industry with publicised information, Hence, a comparison of AVLs financials to TWE's financial ratios should be undertaken. However, it should be noted that their company is bigger in size and relatively more successful.

Figure A and B below show the primary profit ratios of AVL, over the last years (FY) being FY2012 to FY2016 (Morningstar 2017a) with an explanation of what they mean to follow:

	06/12	06/13	06/14	06/15	06/16
ROE (%)	2.98	2.93	3.66	3.20	-0.68
ROA (%)	3.98	3.79	3.60	2.98	0.46
ROIC (%)	5.37	4.95	4.75	4.01	0.75

(Figure A: Profitability ratio table between FY2012 and FY2016)



(Figure B: Profitability ratio line graph between FY2012 and FY2016)

Return on equity (ROE):

ROE is an indication of the profitability of a company, comparing a firm's net profit to the average shareholders' equity with a higher percentage being an indicator of efficient use of equity and a better return for investors (Investopedia 2017a). Figure A and B above shows that AVL's ROE had fluctuated down and upward before declining in 2015. Although it could be claimed that the decline in 2015 and 2016 was influenced from notable events affecting net profit after tax, it is difficult to straightforwardly conclude that AVL has inefficiently utilised its equity base. The specific impacts, whether positive or negative, would require further analysis.

Return on invested capital (ROIC):

The percentage stated is calculated by dividing net operating profit after taxes by total invested capital. The total invested capital is the sum of debt and equity capital, so it complements the ROE ratio to include the company's debt liabilities into invested capital. This gives a sense of a company's ability to generate returns from its total invested capital base (Investopedia 2017c). Looking at Figure A, it is evident that AVL's ROIC has also been decreasing over the 2012-2016 period, but has yet to become negative. From Figure B, we can

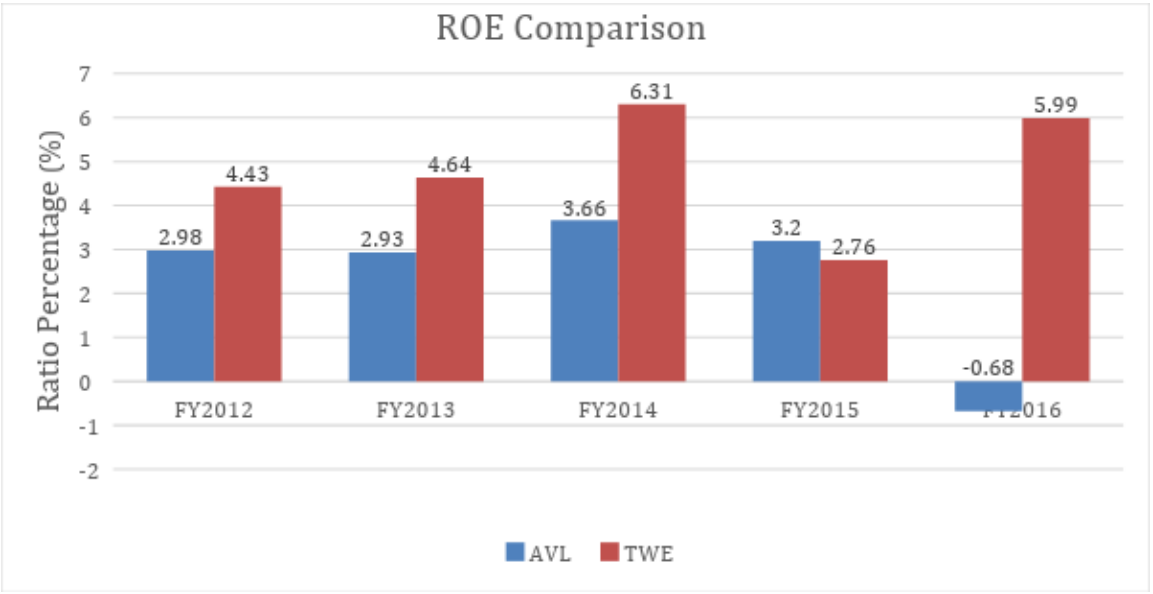
see that ROIC is higher than ROE however the gap between them has decreased, implying that AVL's debt capital has also decreased.

Return on assets (ROA):

ROA suggests the profitability of a company in relation to total assets and is calculated by dividing net income by total assets. It gives an idea as to the efficiency of a company in utilising assets to generate profits (Investopedia 2017b; 2017d). Figure A indicates that AVL's ROA has been decreasing over the 2012-2016 period, an indication that AVL is increasingly using company assets in an inefficient manner and therefore usage of assets should be addressed.

The findings from ROE and ROA seem to be significant and should be further analysed. First, it is recommended to consider the general rules of thumb. The general rule of thumb for ROE is between 15-20%, representing the generally acceptable range for investment by financial analysts (Investopedia 2017a). Despite that, this is much higher than AVL's ROE, and it is important to consider the variations in ROE for the wine industry. The rule for ROA is to be no less than 5% (Investopedia 2017b). Likewise, ROA is said to vary substantially and is dependent on the industry. So consequently, AVL's ROA and ROE should be compared with that of a similar company (Investopedia 2017d).

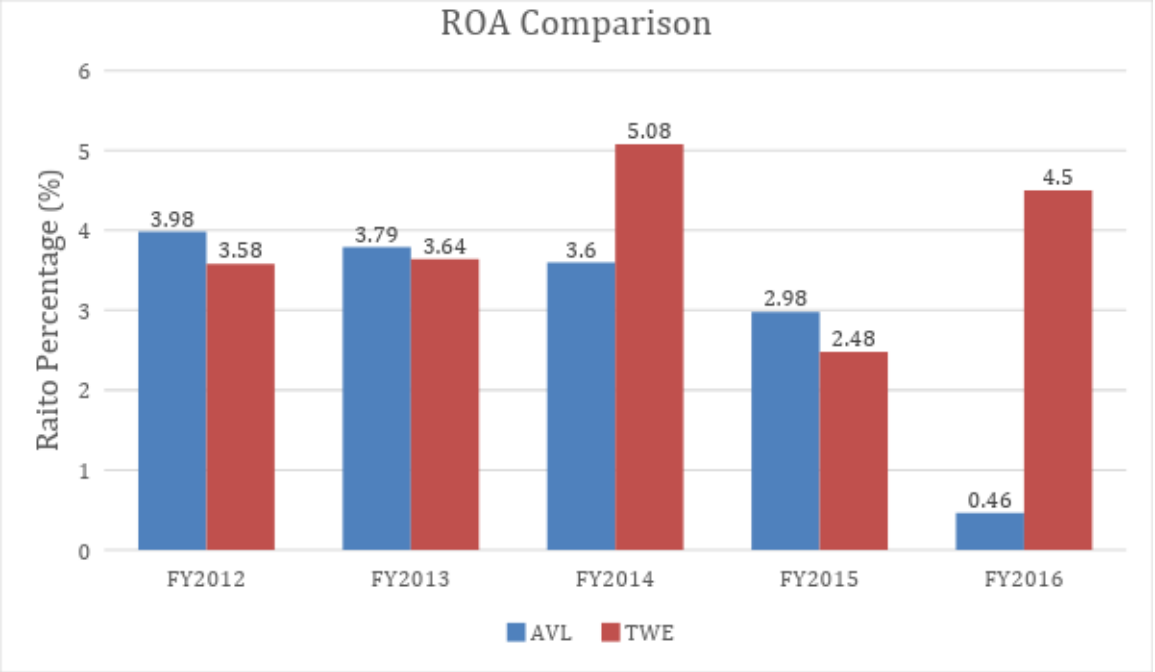
Figure C is a comparison between AVL and TWE's ROE (Morningstar 2017a; Morningstar 2017b):



(Figure C: ROE column graph between FY2012 and FY2016)

Figure C above demonstrates that AVL's overall performance, in terms of providing investor returns and use of equity to generate profits, is worse than TWE's except for the 2015 financial year, where AVL had a higher ROE of 3.2% compared to Treasury's 2.76%. In particular, the 2016 FY shows a difference of 6.67% between Treasury (5.99%) and AVL (-0.68%). Consequently, this comparison suggests that AVL's equity base is likely being used inefficiently, but the net profit after tax seems to affect results greatly, as seen in current financial year.

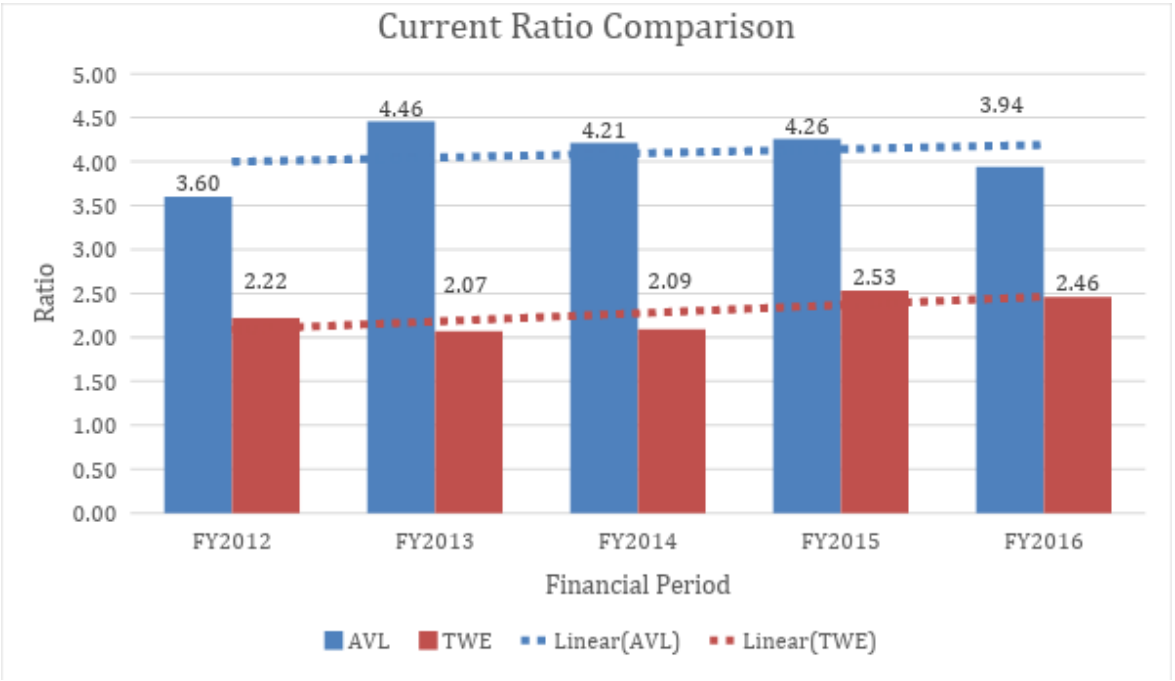
Figure D is a comparison between AVL's and TWE's ROA (Morningstar 2017a; Morningstar 2017b):



(Figure D: ROA column graph between FY2012 and FY2016)

The results of Figure D are surprising as it suggests that AVL has been occasionally performing better than TWE, in terms of using assets in the generation of revenue such as in the 2012, 2013 and 2015 financial year. This brings doubt as it contrasts with the idea presented before, that AVL has been using company assets inefficiently. Although it also recorded a big difference of 4.04% between Treasury (4.5%) and AVL (0.46%) in FY2016. To examine this contradiction further, we will now look at the current ratio, which is the most basic liquidity ratio.

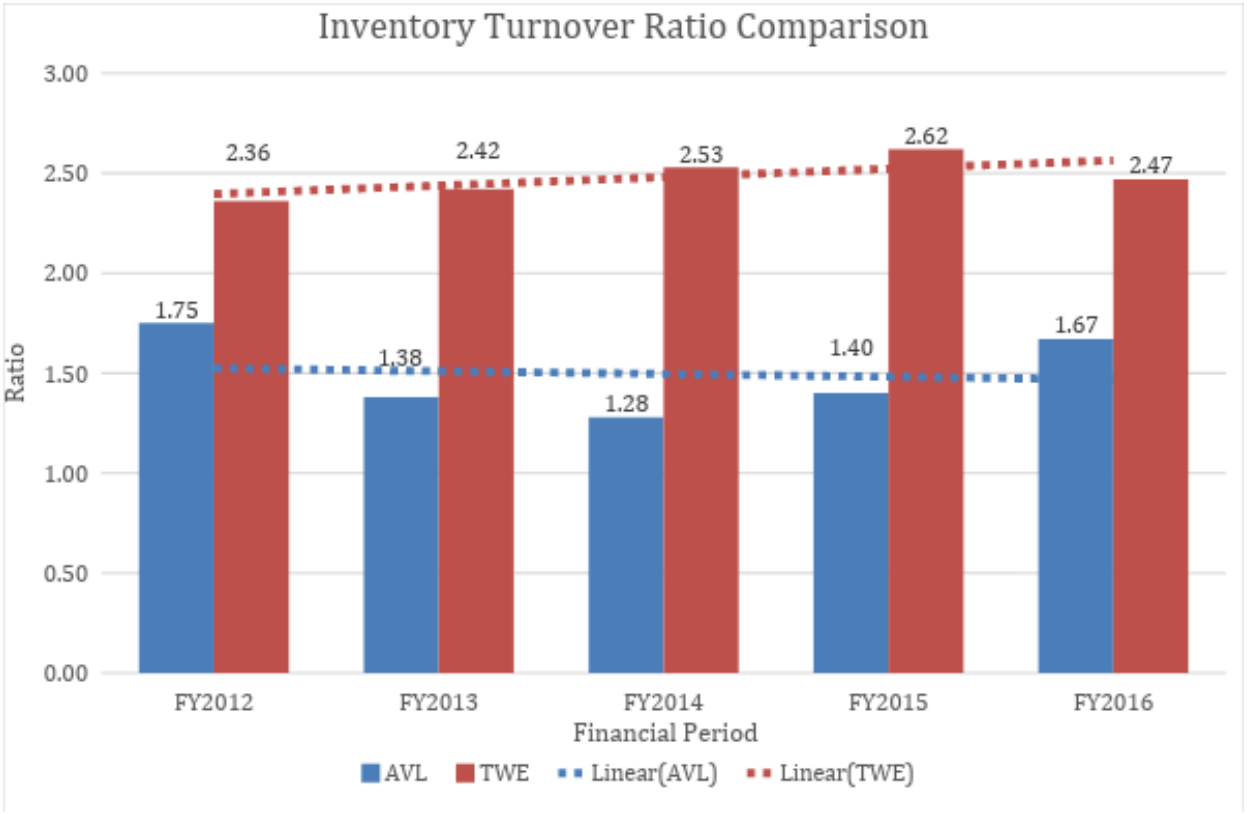
Current ratio: A key indicator of financial liquidity, and determiner of a company's ability to successfully meet all its short-term financial obligations (Investopedia 2017e). Figure E shows the comparison of AVL and TWE's current ratios from FY2012 to 2016 and their trendline (Morningstar 2017a; Morningstar 2017b).



(Figure E: Current ratio column graph with trend line between FY2012 and FY2016)

One highlight is that AVL's average current ratio is around 4.0 while Treasury's average current ratio is around 2.0 to 2.50. While this may seem like an advantage over our more successful competitor at first, the general rule makes us think otherwise. As a rule of thumb, a ratio above 2 is an indication of an ineffective use of assets to increase revenue (Investopedia 2017f). As ratio numbers vary by industry, Treasury's current ratio of around 2.0 to 2.50 may be the industry norm. Therefore, it becomes clear that AVL's current ratio is too high, indicating that there is an asset surplus although this is not distinctly shown by the ROA which looks at assets compared to profits. Thus, this surplus is the root cause of inefficiency in asset usage.

Figure F shows the inventory turnover ratio comparison (Morningstar 2017a; Morningstar 2017b).



(Figure F: Inventory turnover ratio column graph with trend line between FY2012 and FY2016)

Inventory turnover ratio:

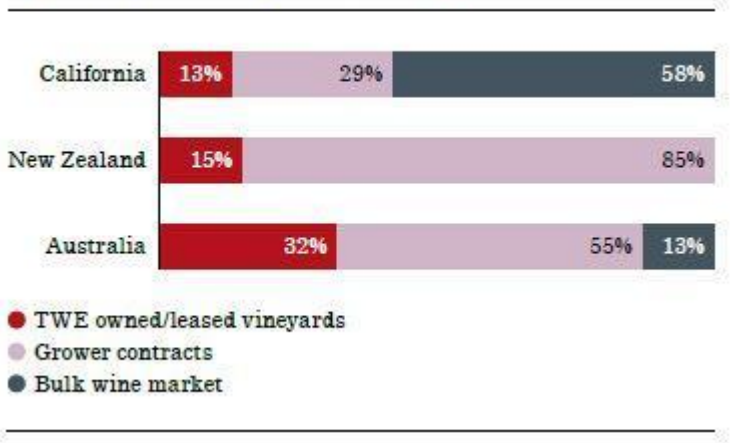
This is an asset management ratio, calculated as revenue divided by inventory cost. It is used to measure how efficiently the balance is maintained, between having sufficient inventory to meet customers' needs and avoiding excess inventory that ties up working capital (Investopedia 2017f). Figure F presents that AVL's inventory turnover ratio is relatively lower than that of its industry peer TWE, as it measured an average of 1.50 while Treasury's ratio is around 2.50. This reveals that AVL's inventory is being replenished more quickly than it is sold, and implies that our inventory levels are excessively high, further supporting the suggestion of an asset surplus, as mentioned in the current ratio comparison.

Proposition and plans:

Trend analyses and peer company comparisons on the above financial ratios has given rise to the proposal to utilise the managerial accounting strategy; working capital management, to strengthen AVL's balance sheet. Although, the main purpose of working capital management

is to ensure that the company has sufficient funds to meet its short-term financial obligations, efficient working capital management can help financial operations run smoothly and is used to improve profitability (Investopedia 2017f).

Action plans focusing on inventory management are recommended, which is one element of managing working capital. Specific inventory managing plans could be based on TWE's business model activity on 'grape growing and sourcing'.



(Figure G: Extracted from Treasury Wine Estates Limited Annual Report for the year ended 30 June 2016, being TWE's regional sourcing model)

TWE's strategy of diversifying grape sources as shown in Figure G, will allow AVL to access quality grapes while building flexibility and decreasing risks along with enhancing adaptability to grape pricing during periods of grape shortages and surpluses in different regions as well as changes to consumer preferences (Treasury Wine Estates Limited 2016, p. 7). Therefore, it could also serve as a solution to relieve AVL from sourcing its grapes under many onerous vineyard lease contracts within one location.

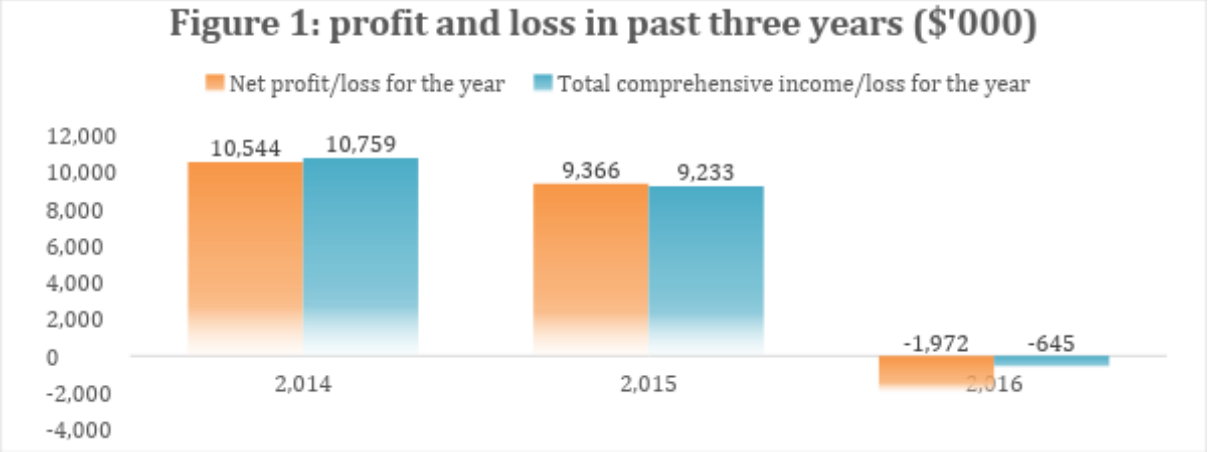
By addressing the issue of the management of assets, we remain confident in the medium to long-term outlook of AVL as it follows the reintroduction of the fully franked dividend at the end of the 2016 financial year. We also believe by comparing to our industry peer and competitor, Treasury Wine Estates, and following them in the adoption of asset management

strategies as mentioned above, AVL will continue to develop in the same manner. Hence TWE's success is a useful projection of what AVL can achieve in the near future.

3 Proposals to increase revenue and reduce costs

3.1 AVL cost reduction

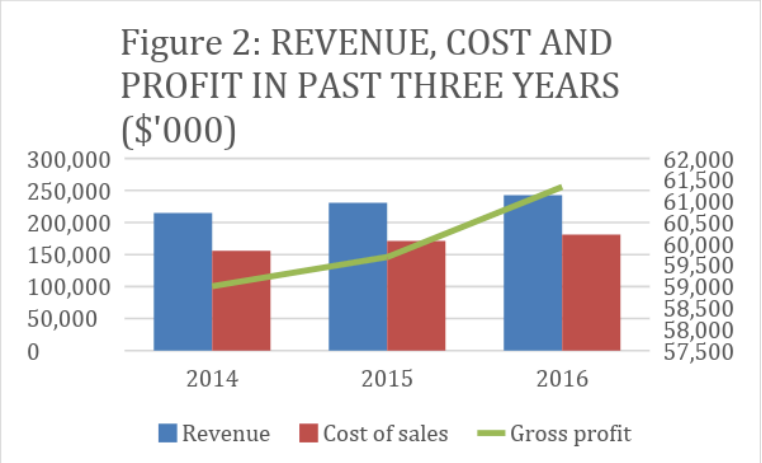
In the Annual report of Australian Vintage Limited (AVL) in the financial year ended 2016, the net profit "after tax and before one off items" was reported at $7.2 million dollars, increasing by 20% compared with the 2015 financial year (Thomson, 2016). However, due to a vineyard termination lease, losses on unrealised foreign exchanges and increased expenses (which will be discussed further in the report), the company reported a loss of approximately $1.972 million in net profit, resulting in negative total comprehensive income of AVL; a loss of $645 million in Figure 1. Thus, based on the requirements and demand of the shareholders for action plans pertaining to loss recovery, this report is written to provide propositions for profit recovery and while inventory management strategies have been explored above, another strategy that can be utilised to ensure the recovery of profits mainly focuses on reducing costs



and expenses while also providing specific action plans and projections for the future *(Source: 2015 and 2016 Annual Report)*

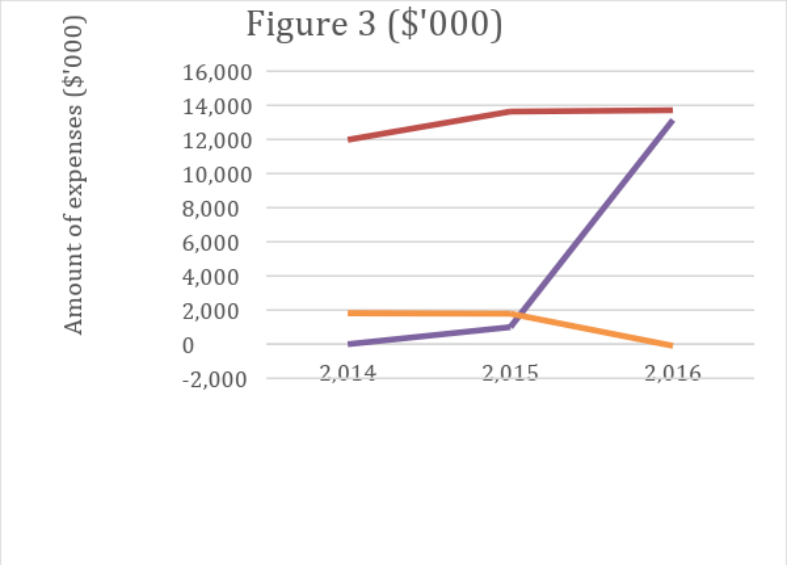
PROPOSITIONS:

Figure 2 depicts the revenue of AVL, having increased by $27.933 million from $215.753 million in 2014 to $242.686 million in 2016. Cost of sales has



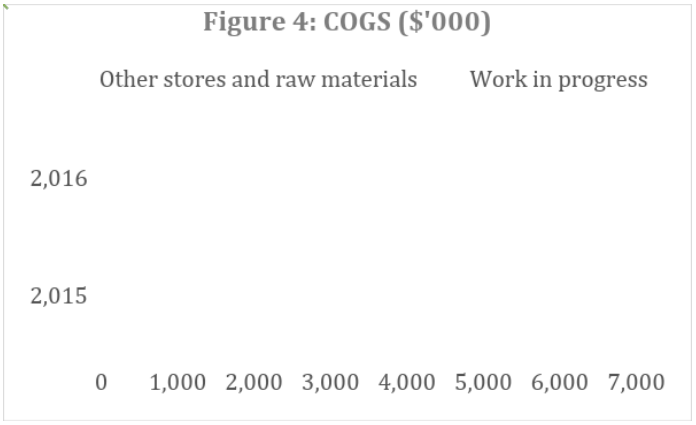
also grow by around $25 million in 2016, compared with the financial year ending 2014. Because revenue and cost of sales have increased together, the gross profit has also increased by 3.8% in the past three years. However, if AVL can reduce cost of sales as much as possible over the next few years, it will provide great potential for gross profit increases and help recover the 2016 losses. Therefore, one suggestion to recover profits is to concentrate on plans to reduce cost of sales (known as cost of goods sold, COGS).

It is clear that the lease termination (with a huge amount of $13.148 million paid out) is the major contributor to recent losses, and not because of decreases in sales. In addition, the loss of unrealized foreign exchange ($1.519 million) due to Brexit and the impact of the exchange rate on the UK based on working capital (Young, 2016) has created a $94 million loss in 'Other gains and losses' in the 2016 income statement compared with gains of $1.795 million and $1.824 million in 2015 and 2014, respectively. Therefore, an effective plan to reduce cost and have AVL recover from its recent losses would be to reduce export costs such as transportation and management of travel expenses. Distribution expenses have been consistently increasing every year as noted in Figure 3: reporting an increase of $1.654 million from 2014 to 2015, yet there has only been a slight growth in distribution expenses between 2015 and 2016, resulting in an end value of $78 million. As a result, the company has been doing well in putting efforts to cut distribution expenses: the costs incurred to get the products delivered from the manufacturer to the end user. However, after observing and inspecting the process of distribution, we recommend that there should be some plans to cut costs more such that costs decline and are lower than the previous financial years for the future.



PLANS:

It is necessary to recognise which costs need to decrease to boost profits of AVL. As described above about which costs and expenses should be the focus for reductions, we recommend AVL applies cost-effectiveness analysis which can support them by comparing relative and current costs with different outcomes of those costs and expenses based on various courses of action. Therefore, after conducting further and deeper research and analysis, we will send to shareholders another report comparing current costs in the 2016 annual report with potential different costs should plans discussed below be implemented and the differences in costs they will create for AVL. These plans will concentrate on four different ways to reduce costs which include reductions in cost of sales, reducing potential losses resulting from the foreign exchange risks, reducing costs relating to exports and employees' travel expenses and reducing distribution and other general costs like administration, marketing and operating costs without affecting product quality or AVL's employees' working environment.



Firstly, there should be a plan to cut costs of sales (or COGS) consisting of direct costs, indirect costs of labour and materials and general overhead allocations such as supervisors management irrelevant to production. In Figure 4, the 'Other stores and raw materials' and 'work in progress' expenses have increased by $73 million and $1.101 million respectively between 2015 and 2016, potentially resulting from an increase in the cost of raw materials and employees' low levels of productivity. Therefore, we need to conduct research to look for cheaper materials but still have quality guaranteed. It will be more effective if AVL can undertake the pull strategy to pull the orders from customers to the company so that we can cut warehouse storage costs and thus prevent buying too many raw materials and push the goods to the customers. AVL should train employees through extensive training programs so that we can reduce the cost of low productivity and or poor quality with staff working better with good supervision and awards (O'Byrne, 2014). In the AVL 2015 annual report, total employee benefits expenses declined by $1.201 million between 2014 and 2015; a good signal as it

decreased the cost of labour. However, in the 2016 annual report, employee expenses increased from $36.604 million in 2015 to $37.695 million in 2016. Therefore, there should be a strategic plan to reduce the direct and indirect cost of labours. AVL needs to reduce labour wages by not only making redundant staff that are undertaking unnecessary production processes but also training employees to be multi-skilled enabling multi-tasking to eliminate any proportions of their free time and prevent loss of productivity. The company could also recruit more casual staff to reduce staff benefits to part time and full-time employees so that total employee benefit expenses can decrease. More than that, for indirect labour, the company can use technological systems to supervise direct labour employees to reduce the number of supervisors saving money as there is no need to pay them. Also, if there are management departments that are duplicating tasks we should close some departments and keep only the core ones to manage multiple parts of the company, which would lead to a decrease in managers' salaries and reduce working hours of staff. In addition, AVL can do the research to figure out which processes can be cut to not only reduce the cost of goods sold but also make them more effective. For example, we can decrease the packaging time by obtaining a machine to do this for us and thus, we can cut staff for packaging, especially when high volumes of orders are received.

Secondly, due to the loss of unrealised foreign exchange, it is crystal clear that AVL and any company for that matter cannot control the risks of foreign exchange and depreciations in the Australian dollar in 2016 have affected profit, resulting in a loss of $1.519 million. After investigation for possible methods to deal with this event, our suggestion is that we should cut costs on exports. According to Laurel Delaney (2011) in "8 Ways To Cut Costs On Export Sales", AVL can shift production to other countries that have cheaper labour but still have acceptable product quality such as Vietnam or Indonesia. AVL can also work on payment methods for overseas clients and find the best way to process payments with competitive terms and aim to get them paid in a short time to avoid any sudden changes in the Australian dollar as problems can arise if payments are processed for a long time. More than that, the company can use online tools to connect with customers to answer their enquiries, support and serve them and even take orders via the internet. Therefore, AVL can focus on building and developing an international customer service team to work online 24/7 to communicate with overseas customers and always be willing to support and serve them whenever they need

and wherever they are. Another way to manage and reduce cost relating to currency risks (Webber, 2015) would be controlling travel expenses to overseas employees by providing them with currency cards with discounts on withdrawal fees, making any payments overseas and spending limits. This can result in AVL controlling employee expenses and can thus benefit from using a credit card to reduce travel expenses or any employees benefit expenses.

Thirdly, AVL can increase profit by reducing distribution costs and other general costs and expenses such as marketing, advertising and operating costs. Distribution costs include the costs incurred by selling and delivering a product from a distributor to the retailer and then the consumer and all the processes occurring in-between these parties will incur costs such as storage costs when storing raw materials. Thus, to reduce distribution costs, the AVL should seek to move products straight to the end destination using the fastest way and the shortest time, to eliminate any unnecessary storage costs. At checking points or approvals at some delivery locations, AVL can process them online with only a click when the approved persons observe the goods at the required locations.

In addition, it is possible that they can focus on order size to reduce these costs. For example, if AVL can convince customers to accept deliveries a few times a week with no need to deliver intermittently or sporadically which can be costly, they can set up the appropriate time and days to deliver with special discounts included. Freight cost is a particularly significant component of distribution costs and should goods be delivered, AVL can be flexible and choose a freight company providing special offers on their delivery which should be faster than the old one. If the company delivers overseas, then AVL should choose cheaper methods of delivery such as ships and potentially railways to prevent costs incurred using air transportation.

Finally, operating costs are also a major component that needs to be considered and reduced in the future as to recover losses and increase profit. AVL can embrace technology by choosing the most effective software for combined tasks including, both accounting and marketing tasks so that there is no need to spend too much money on various software for different tasks. Secondly, the company can reduce cost by outsourcing such as shifting certain practices of business like advertising and marketing. Instead of spending time on these

functions and practices, the management of the company can spend time and money on other important parts and focus on making profits and development of the company. Lastly, AVL can think of telecommuting to cut down on some costs. For example, we can have plans and trial projects for employees to work at home to reduce the costs for office spaces and utilities payments. Thus, the employees can work at home flexibly and comfortably and they can cut down on time for commuting and expenses and spend more time on working and putting more efforts into the company.

PROJECTIONS:

Based on the current situation of Australian Vintage Limited with their losses, many plans have been discussed which aim to increase profits in the future in the most effective and efficient ways. Projections though must also be given to provide insight into how these plans can not only boosting the sales and support in growing income but also estimate and forecast future trends for Australian Vintage Limited.

Firstly, due to the unrealised foreign change and impact of Brexit, resulting in a decline in sales in the UK, the exchange rate movements in the future are uncertain and exchange rate risk is significantly high; unforeseen and uncontrollable. Therefore, the company needs to work more to figure out specific and focused strategies on minimizing the impact of the lower Pound since this is a risk. What AVL should do then is focus on the Asian market (especially China) and North America because the decline in Australian dollar has impacted positively on margin improvement.

Secondly, the termination of the lease on the vineyard and other onerous grape contracts near expiry has resulted in savings of approximately $9 million every year and a significant reduction in grapes purchases and costs in the future. Thus, the cash flow from operating activities can been expected to improve in 2017 financial year. (Davis and McGuigan, 2016). Thus, we strongly believe our strategies and plans are strong concerning increasing profits and recovery AVL's recent loss and we feel positive about the future but patience is still required to determine the results and other information that may be obtained in the future.

3.2 Trade partnership opportunities

Proposition

Observing the current economic climate that we operate in, certain measures need to be taken to provide our investors with reasonable returns for their investment. Whilst we have reintroduced a fully franked dividend of 1.5 cents per share (Australian Vintage Ltd Annual Report, 2016, pg. 4) to show our confidence regarding the long-term future of AVL, it is imperative that we look at alternative strategies that we have not utilized to secure our company's future, especially with recent losses. While reduction of costs as noted above is one way that this can be done, shifting our focus onto the international map and exploiting opportunities here is an additional way that AVL can recover from its losses and the proposition below provides one way that this can be done.

With the fallout from the Brexit vote shifting our initial profit projections by as much as $1.1 million after tax (Australian Vintage Ltd Annual Report, 2016, pg. 4), we believe now would be an appropriate time to explore other opportunities in countries we have not historically been competitive in. One of the major talking points which will unquestionably steer us in our decision making is the ratification of the Trans Pacific Partnership (TPP). The TPP is a regional free trade agreement consisting of 12 nations: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam (Department of Foreign Affairs and Trade, 2017) and the aim of this free trade agreement is to "facilitate trade and investment between all TPP parties and the elimination and reduction of tariffs on goods" (Aph.gov.au, 2017).

The point regarding tariffs is of particular significance for AVL as it provides the opportunity for our company to establish its presence in markets affected by the ratification of this regional free trade agreement. We believe that the development of our dominance in these emerging markets is critical in gaining a competitive advantage over our winery competitors, particularly that of Treasury Wines, which in turn can lead to recovering lost profit in the coming years. Alongside these emerging markets, it is also important to consider how the Trans Pacific Partnership will affect markets where historically we have been uncompetitive due to tariffs making our wine a pricier option relative to the overseas country's domestic alternatives.

Plan and Projections

One of the key areas we wish to explore is the country of Mexico. Historically, AVL has not been a competitive force when exporting wine into this country. However, with the emergence of the Trans Pacific Partnership, an amazing opportunity has become available with the possibility of a reduction or complete elimination of tariffs to Mexico meaning that the opportunity of expanding into Mexico has now arisen.

The wine market in Mexico is comprised of a split of 30% domestic and the 70% remaining being imported from other countries (Wine Australia Export Market Guide -Mexico 2016). These figures show that there should be a huge opportunity for us to dominate this market however over the years, we have not been truly competitive in this market and this can be attributed to several factors. Firstly, all alcoholic beverages in Mexico are subject to a 16% value added tax (VAT). Additionally, 'alcoholic beverages of a denatured alcohol' are subjected to a special tax on products and services known as 'Impuesto *Especial de Productos y Servicios* or IEPS' (Wine Australia Duties and taxes for the Mexico Market. 2016).

Product	FTA Tariff*	Import Tariff	Special Tax	VAT
Beverage with alcohol content up to 14%	0%	20%	26.5%	16%
Beverage with alcohol content above 14% and up to 20%	0%	20%	30%	16%
Beverage with alcohol content above 20%	0%	20%	53%	16%
Denatured alcohol	0%	20%	50%	16%

* NAFTA (USA and Canada), Columbia, Venezuela, Costa Rica, Bolivia, Nicaragua, Chile, EU 28 members, Israel, Guatemala, Honduras, El Salvador, EFTA (Switzerland, Norway, Liechtenstein, Iceland), Uruguay & Japan.

Figure 5: Tax on imported alcohol - Mexico

Figure 5 portrays the difficulty of the staying competitive in this market relative to other exporters of wine to Mexico by illustrating taxes on imported alcohol, especially those who have a pre-existing free trade agreement. Currently, Australia wines are subject to a 20% import tariff rate along with the two previously mentioned taxes. As one can see, this made it quite difficult to hold ourselves against other competitors who have free trade-agreements with Mexico.

However, with the introduction of the Trans Pacific Partnership, we see it as an amazing opportunity to explore our immersion in a market we have not been competitive in with the reduction in tariffs on our wine export to Mexico. For example, in the next 3 years, it is projected that the 20% import tariff rate on higher quality wine will be eliminated. In the long term, within 10 years of entry, the TPP projections posit a total elimination of import tariffs of all wine exported from Australia. Therefore, it is our view that it is imperative that this emerging market should be a key focus for AVL in the years to come, in order to fully utilize the potential growth opportunities the Trans Pacific Partnership is offering.

Another area of opportunity that will arise from the Trans Pacific Partnership is the country of Vietnam. The wine market in Vietnam is dominated by its small wine industry, with even further barriers to foreign wine through extremely high tax rates. It currently applies an MFN tariff of about 50% (Wine Australia *Export Market Guide-Vietnam,* 2016) on any wine coming from Australia but even then, this is one of the lower tariff rates that applies to only a select few countries as opposed to the alternative 80% tariff rate.

Tariff Rates

Group			Description	MFN	ASEAN CEPT rate 07-13	AANZFTA rate 2009-2021	AANZFTA rate 2022
2204			Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.				
2204	10	00	- Sparkling wine	50	5	80	20
			Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.				
2204	21		- - In containers holding 2 l or less:				
			Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09.				
2204	21	11	- - - - Of an alcoholic strength by volume not exceeding 15% vol	50	5	80	20
2204	21	12	- - - - Of an alcoholic strength by volume exceeding 15% vol	50	5	80	20

Figure 6: Extract of Tariff Rate table of Vietnam

The table from Figure 6 is an extract of the possible Tariff rates applicable to wine. The last column indicates a proposed rate for countries Vietnam has a free trade agreement with (e.g. Japan) and a reduction of 60% is a massive reduction in the tariff rate AVL currently holds as

they are also set to benefit from Australia's free trade agreement with the ASEAN trading bloc. However, what is most enticing about exploring the wine market in Vietnam again relates back to the Trans Pacific Partnership. Since Vietnam is an official negotiating partner in the Trans Pacific Trade agreement, the proposed tariff rate of 20% may be negotiated much faster than the proposed goal of 2020. Projections from the Department of Foreign Affairs and Trade estimate that within 11 years of entry into the TPP, potentially all tariffs will be eliminated related to wine being exported from Australia to Vietnam (Department of Foreign Affairs and Trade, 2017). This will have beneficial flow-on effects to our competitiveness in the country as it equals the playing field with other export competition who have existing free trade agreements. It also helps our wine to remain competitive with Vietnamese domestic products as AVL wine will become an affordable option compared to how much it would cost now with the 50% tariff added on to the selling price.

3.3 Export of Wines

Proposition

The international map and expanding into countries that provide new opportunities due to increased free trade is not the only way that we can set our sights on the international market. As seen in our own annual financial report (Australian Vintage Limited Annual Report, 2016) our net loss for 2016 was $2 million, something that has attracted the attention of us in higher management because of how this deviates largely from the profit in 2015, being $9.4 million (AVL Annual Report, 2016). While the essence of this report is to meet the demands of recovering lost profits, one of the business strategies that we have proposed to grasp back profits has been to immerse ourselves in and strengthen our presence into more foreign markets, particularly that of China and other Asian markets By doing this, not only can we recover from the problems arising within the domestic Australian market but by focusing and taking advantage of the trends within the foreign market of China, we aim to recover from the loss incurred and this proposition is further discussed below.

However, this in turn will pose some challenges. Within our own annual report, our outlook remains the same in that we want to move from being a "bulk wine producer to a quality branded business" but while the transition from such will clearly result in a greater profit these profit margins are not yet realised. Yet, with the recent significant doubling in profit

from one of our major competitors, Treasury Wine Estates as noted in Pash (2016), who are a branded business, the benefits of our proposed move cannot be denied. Hence, the core of the proposition of expanding into the Chinese market by isolating trends and taking advantage of them is going to be using packaged wines rather than bulk and processing.

Currently, AVL does in fact have some role within foreign markets. We operate not only within Australia but also in Asia, America and Europe and the UK is "AVL's main overseas market" (Thomsen, 2016) but with the recent Brexit result, our projected profits in this region were negatively hit by "$1.1 million" (AVL Annual Report, 2016). Our presence within China and America are also strong however are still growing and with our business only in the first stages of transforming ourselves into a brand driven business, it is the reliance on the overseas markets and ensuring that we are successful here that is surely going to allow us to recover profit, especially with the substantial amount of growth in the Chinese and Asian region. Despite having a loss in the financial year of 2016, our plans to recover the profit by grasping the Asian market particularly via brand name packaged wines is even stronger than before. This is surely going to be a step in the right direction towards recovering losses.

Plan

There are then several plans that we can use in order to achieve this, many of which have been created through the use of data analytics and focus upon realising more sales of particular types of wines within the country that we have focused upon; China.

For China and for most of the Asian region, isolating and grasping this market is of the utmost importance. It was only in 2014 that we signed a major distribution deal with COFCO Wine and Spirits for the sake of expanding our product within China (AVL Annual Report, 2014) however the growth that has been realised within this region is something that cannot be ignored as just this year, we experienced a 22% increase in the sales of Asia alone when it came to our packaged wines (AVL Annual Report, 2016). This along with the fact that we experienced, over a period of five years, a growth of 89% within the Asian region alone, shows how we cannot ignore and put off the prospect of engaging in foreign markets anymore. These results are further enforced as within AVL itself, there is evidence of growth within the Asian region with the McGuigan



brand increasing sales by a staggering 45% and our Black Label sales have similarly experienced such growth by growing up to 85% (AVL Annual General Meeting 2016 Presentation, 2017).

The Asian market for AVL, particularly China, then is a market that needs to be looked into and if the results from the Wine Australia Export Report are to be believed, the need to enter into this market is staggering as is seen in Figure 8 as it has become Australia's biggest export market for wine, up 40% from the previous year and having an export value of $520 million

Figure 7: Total value of wine exports of Australia in 2015



Figure 8: Total value of wine exports of Australia in 2016

(Wine Australia December 2016 Export Report, 2017), when it previously only came in third with a value of $370 million the same time in the previous year (Wine Australia December 2015 Export Report, 2016) which is portrayed in Figure 7. Even on a half yearly basis, the sales for wine within China went from $419.4 million in June 2016 (Australian Wine Export Market Snapshot China, 2016) to $520 million in December of the same year, a growth of approximately 24% (Australian Wine Export Market Snapshot China, 2017). In the same period though, for AVL, it should be noted that we experienced a worsening of the Asian market by 10% however as noted within our half yearly report (Australian Vintage Limited Half-year report 2016, 2017), this was mostly because of "timing" with our yearly data from January 2017 having increased by 40% in terms of sales, much like the global market. The decrease in sales for the June-December 2016 period should then not be expected to reflect the performance on the Asian market for AVL as a whole as the same time last year in the Australian Vintage Limited Half-year report 2015 (2016), the Asian market experienced a growth in sales of 26%. Even though this is the outlook on the basis on the year of 2016, five-year compounded growth rates are also impressive for this region as well when looking at global figures: being 21% per annum across five years as noted in the Wine Australia December 2016 Export Report (2017). Pairing this with the fact that we have experienced

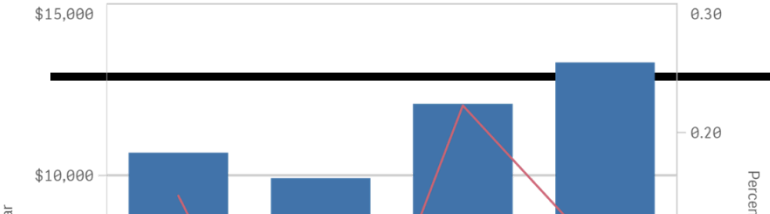
growth within the Asian region itself only further emphasises how expanding our sales into China is something that we can expect to result in greater profits for the upcoming year to counter our loss for this one, additionally due to the popularity of China market.

Yet the question remains what type of wine should be pursued within this region and what trends to isolate, a question easily answered by looking at the culture of China and recent trends over time. Both seem to indicate that the wine that we need to pursue is that of red and a move away from white. Both colours have an impact in Chinese culture with Willsher (2014) highlighting that white in the Asian community is associated with death, while red is "considered lucky" because of its association with the Communist nation, also being "synonymous with wealth, power and luck". It is this symbolism with prestige that also indicates what the Chinese market is looking for; a brand that is focused and branded as being of quality nature with quality standards and it is these things that act as a major contributor to the success of our competitor Treasury Wines with the Penfolds and Wolf Blass brands (Evans, 2016). With this and our desire for AVL to become more of a quality brand, the Chinese market is something we need to grasp while the iron is hot to make the most of the benefits that exist here. For Australia alone, red wines sales to China amounted to $483.60 million in December 2016 (Australian Wine Export Market Snapshot China, 2017) and with the Asian market itself resulting in revenue of $12.056 million (AVL Annual Report, 2016) in 2016 for AVL, the opportunities here are endless due to expected growth.

Hence with the values of the Chinese community focusing on the quality brands which we are seeking to become, we suggest that AVL should invest more into this market by appearing to be a more 'quality brand' to appeal to the market here while at the same time utilising the growth in the red wine market to expand our own sales in red wine. Because of this, it is our suggestion that sales should be pushed using the red wine labels of the McGuigan brand, especially Black Label what with the recent sales prospects that this brand has experienced in the Asian region as of late.

Projections

Yet there are also the projections for the future that we can expect from the use of these plans that have to be noted as well as the



impact of them upon our revenue for each segment that they are going to apply to.

One of the things to note with the Chinese and the Asian market is that we expect the constant growth throughout Asia, reported to be 89% over five years (AVL Annual Report, 2016) to continue into the future. This is definitely going to be favourable for us should we expand into this market with premium red wines but the extent to which

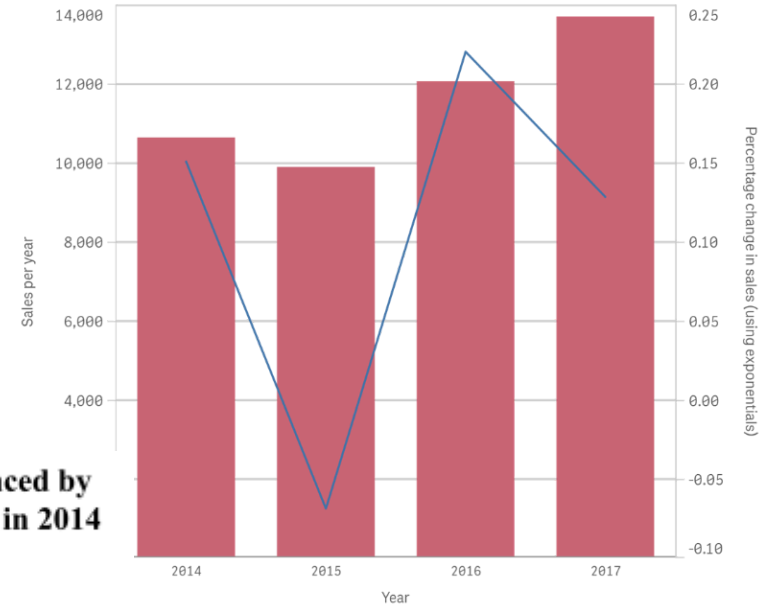


Figure 9: Average of returns as experienced by AVL ever since signing the COFCO deal in 2014

we can grow here is something that needs to be looked at. While on a yearly basis the Wine Australia December 2016 Export Report (2017) highlights that the value of exports to China has increased by 40%, for the same time period on a five-yearly basis, we have experienced a compounded growth rate of 21% per annum (Australia Wine Export Market Snapshot China, 2017). While this references the world though, our own sales into the Asian market have fluctuated quite a lot; in 2014. they rose by 15% (AVL Annual Report, 2014), in 2015 they fell by 7% (AVL Annual Report, 2015), while in the current financial year they rose by 22%. On average, the increase in the sales over the period ever since we signed the COFCO deal have been around 10% over three years (illustrated within Figure 9). Even if we consider that we have experienced 89% growth over five years in the Asian market as a separate case from this, we can determine that the compounded rate of return across this period is roughly 12.75%, seen in Figure 10 which seems to be in line with the trends that are experienced within the Asian market (and particular China with our growth here) in the global environment.

Figure 10: Continuation of Asian growth over the past 5 years in terms of continuous returns

Because of such, looking at our figures we can definitely expect growth. We at AVL believe that the trends within the wine market in China and in Asia are set to continue, we can expect

on average that our sales will increase between 10% and 12.75% compounded based upon the above results that look at compounded returns and returns on a yearly basis. Hence, looking at the results that we have experienced we can expect that our revenue within Asian is going to increase by $1.2056 million using our average return or $1.639 million compounded to lie between a revenue for 2017 of $13.261 - $13.695 million for the financial year of 2016/2017. (shown within Figure 9 and 10 respectively as projected sales for the year of 2017). These are our projections should we seek to increase our sales within this region by focusing upon trends within China and pushing forward premium red wines using the McGuigan Black Label brand specially because of the growth here.

As can be seen one of our plans for dealing with the loss in the market, as illustrated above, is to focus on the opportunities that are available to us in profitable foreign markets, particularly Asia and China. By focusing upon these markets which we expect to be profitable and then isolating trends in popular wines while considering the tastes of these markets, we at AVL expect that we will be able to essentially recover profit lost as of the current financial year.

While our strategy is such, our plans for the markets of Asia focus on ensuring that we can hold and put forward AVL as a quality brand and increase sales in wines that are showing growing trends. For the Chinese, what we aim to do is increase our brand image and appeal to the consumers who desire a more premium brand. The move over to more quality over quantity is something that this market desires more than anything in recent times and hence, our focus at AVL is to progress to transition to a more brand driven wine label faster such that we can reap the benefits like Treasury Wine Estates. It has also become necessary that we focus upon the wine and the wine trends of the market. With the recent growth of red wine in both Chinese market, this is going to be the focus of our sales for the near future.

Overall though, what we desire as a whole when it comes to AVL is the same as shareholders: the recovery of the profits that have been lost as of the recent financial year by using the opportunities in foreign markets. Additionally, taking advantage of the trends that exist within the markets, as seen from our projections, will result in expectations being an increase in market share within Asia and more profit for AVL as we grow within this market giving

evidence as to why this plan of ours is something that should be chosen to regain what has been lost.

3.4 Wine Tourism

Yet the focus on overseas and reducing costs does not really push forward considerations for the domestic market and the following proposition has been created with a greater focus on pushing the 'brand' that is 'Australia', hence addressing more 'closer' concerns.

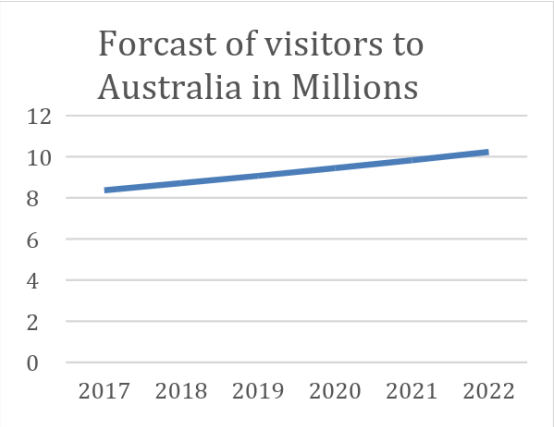
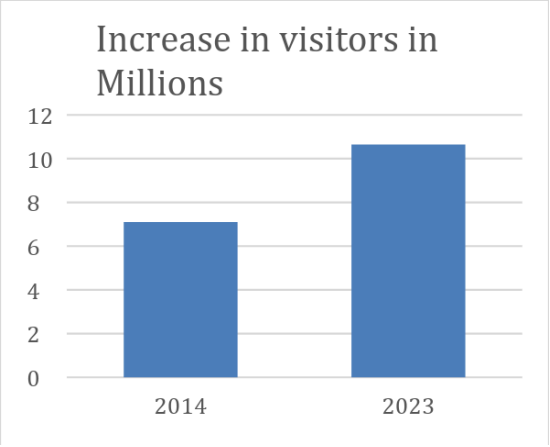


Figure 11: Forecasting of visitors to Australia in millions over a progressive period.



We propose AVL targets the tourism industry as a channel to promote quality wine. We recognise that organising events for wining and dining, wine tasting and music concerts designed to inspire domestic and international visitors to experience Australia's wine regions will potentially increase the appetite for wine and hence increase the focus on AVL. Research by Tourism Australia indicates that tourism has contributed to profits in the wine industry. Australian Bureau of statistics highlight that in 2014, 7.1 million people visited Australia, an increase of 7% since 2013, resulting in spending of a total $33.4 billion; a 10 percent increase (Australia, 2015). International visits to Australia are forecasted to increase by 4.1% per year till 2023 (Australia, 2015) which is then highlighted in Figures 11 and 12. International travellers to Australia spent an estimated $5.1 billion on wine and wine related experiences during their trip; an average spending of $5,439 per visitor and $105 per night (NSW, 2015) and these figures demonstrate the market for wine through tourism hence and an opportunity for AVL to grasp to increase market share with the projected increases in tourism for the upcoming years and hence, a greater market for spending.

Thirty eight percent of tourists select Australia as a place to visit due to wine attractions as per a survey conducted by Tourism Australia (Australia, 2017). Visits to wineries and vineyards are motivated by relaxation, leisure activities and the desire to learn more about wine. Tours to AVL's wineries combined with wine tasting and fine cheese will help increase consumers' understanding of quality products and the production process of wine. Additionally, exposure to a range of available wines including new products helps retain existing customers and attract new customers. Research by Wine Australia suggests that nearly 42% of visitors changed consumption habits after visiting wineries (Industry, 2013). The impact of visiting wineries then can be seen to be significant for increasing sales, as out of the 39% of visitors who had not purchased wine previously from wineries, 41% said they had purchased wine from the winery six months later (Industry, 2015). This emphasises why AVL should capitalise on wine tours for the purposes of increasing awareness of our brand and hence increasing sales.

Figure 12: Increase in millions of visitors based upon progressive forecasting

Wine tours will not only increase sales but enable an increase in margins. The experience of visiting a winery cannot be matched, acting as a catalyst to change consumer behaviour, with an average of $90 spent on both wine and non-wine related goods. Direct sales to customers forgoes the cost of paying commission to distributors, brokers and wholesalers. Therefore, AVL should expand investment in wine tours as a profitable marketing campaign. Furthermore, wineries that provide an engaging experience to visitors will benefit from word-of mouth promotion acting as brand ambassadors with 83% of visitors recommending the brand to friends, family, and work colleges (Industry, 2015).

Tours should include visits to vineyards for grape picking, restaurants and a relaxing environment and local events to engage individuals and children who prefer not to consume wine. AVL could also offer cooking classes with new recipes which include the use of various white and red wines with the aim being to provide a complete package and wine experience for families and visiting groups, not limiting ourselves to wine lovers but instead expanding to encompass more market. Additionally, this increases sales of non-wine products such as grapes and cheese. Given that AVL recently terminated a long-term lease on a substantial

vineyard costing of $9.2 million after tax expecting savings of $5 million per annum, now is the time to consider new investment in vineyards (AVL, 2016).

There is an opportunity for wineries to benefit from strategic partnerships with external tourism providers such accommodation providers (Airbnb), the food sector and tour guides to encourage visitors to stay at wineries for multiple days. Marketing partnerships allows businesses to utilise existing relationships with communities, groups and marketplaces to introduce businesses to a wider network. Research by Wine Australia indicates that 73% of visitors to wineries knew about the winery before they visited (Industry, 2015) and this implies that visits to wineries and vineyards are highly dependent on brand awareness. Therefore, increasing brand awareness through partnering companies is important factor to increase market share. As an example, AVL's quality branded wines of McGuigan, Tempus Two and Nepenthe should be promoted through Airbnb as the company transitions from the sale of bulk wines (AVL, 2016).

In 2015-16,800,000 bookings with a total of 2.12 million guests were made for Australia on Airbnb (Deloitte, 2017). 79 million booking worldwide in 2016 which is projected to grow to 1 billion bookings in 2025 as evidenced in Figure 13.

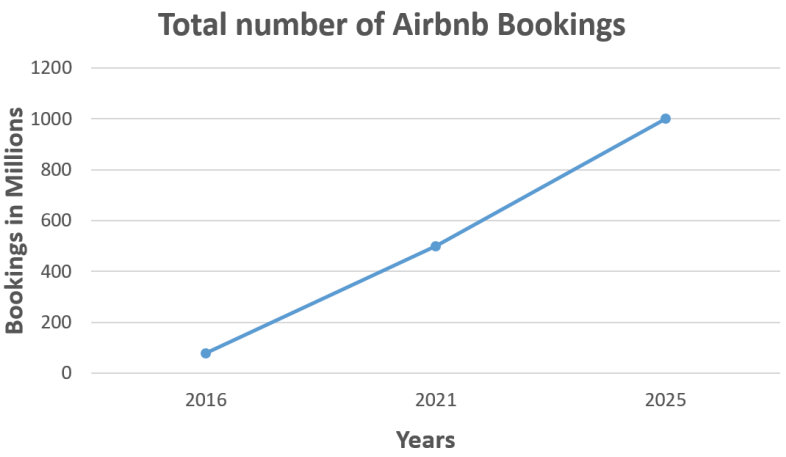


Figure 13: Increase in millions of bookings based upon progressive forecasting

On average 9,155,000 people visit the Airbnb website per day. The Airbnb app was installed 10 million–50 million times according to Google Play (Google Play, 2017). Statistics reveal that millions of people use Airbnb as a platform to find accommodation. It is therefore beneficial for AVL to partner with Airbnb, enabling increased promotion of its brand to potential consumers. Airbnb hosts could enter an agreement with AVL to sell wine to guests, market tours to AVL's prestigious wineries and providing recommendations of events and activities to undertake while visiting particular wine regions. In return, AVL will market Airbnb within wineries. Furthermore, encouraging locals to provide accommodation for Airbnb which will increase tourism in these

particular wine regions as visitors choose to travel to locations providing low cost accommodation will result in increased revenue for both participants of the partnership. In 2015-16, Airbnb guests spent 1.6 times more per day than the average tourist in Australia (Deloitte, 2017). Furthermore, with the Australian Government recently announcing $50 million in investment within the wine industry and tourism sector providing grants of up to $100,000 to wineries, AVL should prepare to utilise these grants to future expand their reach to consumers.

The domestic market is something that also needs to be addressed and by utilising avenues for increasing awareness of AVL with partnerships with the tourism industry and potential accommodation providers such as Airbnb, Australian Vintage Limited can effectively market themselves within their home ground of Australia. Instead of expanding into overseas markets, this proposition aims to bring the overseas markets to Australia by focusing a lot more of increasing awareness of AVL in people that are visiting the country. By doing this, and by pushing ourselves and immersing ourselves in the tourism industry, AVL can essentially recover our profits through the connection that we will have with tourists not only with our connections with the tourist industry but also through our connections with accommodation centres.

4 Conclusion

As can be seen, there is not just one way for AVL to expand their own vision and seek out ways to get back the profits that have been lost in the previous financial year. As noted within this report, there are a number of strategies that can be utilised to recover profit. Consequently, the projections we estimate for the future of AVL should they be implemented are surely going to be favourable not only for their position, but for how the shareholders view the business in the long run, based on the success and the attempt to proactively restore the financial position of profit to what it once was.

Based upon the financial ratio analysis that has been performed, it is clear that if there is one thing that AVL needs to address, it is the use of inventory and the assets that they have. These are currently being used ineffectively, inventory management strategies that have been

proposed here aim to ensure that we expand where we source our inventory from to improve use of inventory. While this will effectively recover profits for AVL it will also help improve their operations making them more effective in the short run.

This is definitely a suggestion that can effectively recover profits in the long run, in the short term this is definitely going to help AVL improve their own operations and made them more effective.

However, it is once we have considered the root cause of losses that the suggestions above with their projections are most certainly going to assist AVL in the countering against such a loss. Reducing costs with a focus on the area of COGS, foreign exchange rate fluctuations and with distribution and other general costs are key areas where we can reduce unnecessary spending and effectively spend less on otherwise unnecessary processes. Expanding our gaze into the international market though has meant that with opportunities arising in Mexico and Vietnam due to the TPP, AVL can potentially expand further into markets that they previously could not compete well in due to tariffs blocking our entry successfully and complete the same objective: recovery of profits. This can also be achieved with the focus on markets that AVL is currently profitable in and taking advantage of wine trends here, specifically, that of the Chinese market and expanding red wine sales, can allow ourselves an enhanced position when it comes to sales and the profits incurred here. Finally, with key strategic partnerships with the tourism industry and with accommodation providers, an increase in the awareness of the brand of AVL allows us to immerse ourselves into the mind of the consumers that we want to reach. Hence, we can capture the profit of potential increases in sales and therefore, recover losses.

If anything, it is our suggestion that AVL needs to consider what strategies would fit them the best and how they can implement them, as not only will this benefit them as a business but also allow them to reach out and benefit the people that perhaps matter the most to them: their shareholders.

5 Appendices

5.1 Appendix 1- Table of Data Sources and Reference list

Name	Source	Comment
Aph.gov.au. (2017). *Proposed Trans-Pacific Partnership (TPP) Agreement*, viewed 18 May 2017	http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/TPP/Report	Used this site to gain information on what the TPP was designed for and helped define what the TPP is for Australia.
Australian Vintage Limited Annual General Meeting 2016 Presentation, 2017, Australian Vintage Limited	http://www.australianvintage.com.au/wp-content/uploads/2016/11/AVG-AGM-Presentation-23-Nov-2016-ASX-release-without-proxies-Final.pdf	An analysis of the trends experienced within the Asian region when it came to the growth of particular brands and the wines that were purchased. This source was also used to analyse and support in figuring out the points for projections in the report.
Australian Vintage Limited Half-year report 2016, 2017, Australian Vintage Limited, viewed 18 April 2017	http://www.australianvintage.com.au/wp-content/uploads/2017/02/170223-AVL-311216-ACS-v2.pdf	Looking at the data for the half year, specifically information provided on the Asian market and the trends that are being faced within this market as of late.
Australian Vintage Limited Annual Report 2016, 2016, Australian Vintage Limited, viewed 18 April 2017	http://www.australianvintage.com.au/wp-content/uploads/2016/10/AVL-2016-Annual-Report-Website.pdf	Narratives of the loss that was incurred and the reasoning for them, profit and loss figures for the years of 2015-2016, narrative for the outlook of the business and the transition from bulk to quality, narrative on the foreign markets that we are invested in and figures from here along with the loss that

		Brexit provided AVL, sales by segment taken for the years 2015-2016, figures about the gain over five years that was related to the Asian markets. Used some numerical data and the narrative regarding the Brexit vote. Also used were the statistics of the company's performance for the year 2016. Statistics used to discuss termination of vineyard contract and grape contracts. Data was also used here for the calculation of Figures 1 – 4.
Australian Vintage Limited Half-year report 2015, 2016, Australian Vintage Limited, viewed 18 April 2017	http://www.australianvintage.com.au/wp-content/uploads/2016/02/160224-AVL-311215-ACS-FINAL.pdf	Information on the growth of sales for the half year to December 2015 to counteract previous figures detailing poor performance on the part of the Asian market to suggest a better position than was previously calculated.
Australian Vintage Limited Annual Report 2015, 2015, Australian Vintage Limited, viewed 18 April 2017	http://www.asx.com.au/asxpdf/20151016/pdf/43247qq83h9xjv.pdf	Data from the segment of 2014 which was then input into the data for use in the Power BI program, sales percentage change in China/Asia (assuming China is our largest market here) which was then used to derive the change in value using last year's figures. In this source, the statistics of the company's performance for the year 2015 were also used.

		Data was also used here for the calculation of Figures 1 – 4.
Australian Vintage Limited Annual Report 2014, 2014, Australian Vintage Limited, viewed 20 April 2017	http://www.australianvintage.com.au/wp-content/uploads/2014/01/AVL-Annual-Report-2014-website.pdf	Data from the segmented markets such that we can have a proper analysis of the markets and how they have grown within foreign markets, data on the growth on the Asian market such that the profit and loss figures were derived.
Australian Wine Export Market Snapshot China, 2017, Wine Australia, viewed 20 April 2017	https://www.wineaustralia.com/getmedia/b37c8a78-9e9b-415d-b9a9-f86040397c16/China-Country-in-focus_Dec-16.pdf	Data on the sales for China again which were used to expand the comparison for sales in China and gain a greater understanding on the nature of the sales for the year end.
Australian Wine Export Market Snapshot China, 2016, Wine Australia, viewed 20 April 2017	https://wineaustralia.com/WineAustralia/media/WineAustralia/News/China-Country-in-focus_Jun-16.pdf	Data on the sales that were achieved for China specifically when it came to the sales within the region for wine which were used as a comparison on the basis of giving evidence as to reasons why it should be invested in.
Davis, R & McGuigan, N 2016, '*Annual General Meeting*', Australian Vintage Limited, 23rd November, viewed 30 May 2017	http://member.afraccess.com/media?id=CMN://2A986016&filename=20161123/AVG_01805211.pdf	This source was used to analyse and support in figuring out the points for projections in the report.
Delaney, L 2011, '*8 Ways To Cut Costs On Export Sales*', The Global Small Business Blog, 30th March	https://www.americanexpress.com/us/small-business/openforum/articles/8-ways-to-cut-costs-on-export-sales-1/	This was used to explain about the plan that the company can shift the business production to other nations such as Asian

		countries to cut costs in exports.
Deloitte Access Economics, *Economic effects of Airbnb in Australia*, Airbnb, Australia 2017, viewed 22 May 2017	https://www2.deloitte.com/content/dam/Deloitte/au/Documents/Economics/deloitte-au-economics-effect-airbnb-in-australia-240317.pdf	Statistics used to highlight demand for Airbnb in 2015-2016 and to demonstrate profitability of a potential partnership with Airbnb.
Department of Foreign Affairs and Trade 2017, *TPP outcomes at a glance*, viewed 18 May 2017	http://dfat.gov.au/trade/agreements/tpp/outcomes-documents/Pages/outcomes-at-a-glance.aspx	Used the figures on the website regarding the projected outcomes of participating in the Trans Pacific Partnership.
Evans, S., 2016, '*Thirst for red in China pushes wine exports past UK for first time'*, The Sydney Morning Herald, 18th April 2016, viewed 20 April 2017	http://www.smh.com.au/business/thirst-for-red-in-china-pushes-wine-exports-past-uk-for-first-time-20160417-go8mqb.html	Analysis of the wants and the desires of Chinese investors and how this translates into benefits for our markets.
HypeStat.com 2017, *Airbnb.Com – Info*	http://www.hypestat.com/info/airbnb.com	Statistics depicting the demand for Airbnb through number of times the Airbnb sight has been searched.
Investopedia 2017a, *Profitability Indicator Ratios: Return on Equity*, viewed 12 May 2017	http://www.investopedia.com/university/ratios/profitability-indicator/ratio4.asp	Referred to this source to understand the Return on Equity ratios and interpret their meaning. It also helped the decision to compare with a ratio's rule of thumb and with another company, for further analysis.
Investopedia 2017b, *Profitability Indicator Ratios: Return on Assets*, viewed 12 May 2017	http://www.investopedia.com/university/ratios/profitability-indicator/ratio3.asp	This source was used to understand and helped analyse the Return on Asset ratios. ROA's rule of thumb was also found in this source and it

		provided further support for the use of peer company comparisons, justifying the comparison to its peer, Treasury.
Investopedia 2017c, *Profitability Indicator Ratios: Return on Employed Capital*, viewed 15 May 2017	http://www.investopedia.com/university/ratios/profitability-indicator/ratio5.asp	This source helped define and analyse the Return on Invested Capital ratio. It also played a role in the decision for further analysis to first, address each ratio's rule of thumb.
Investopedia 2017d, *Return on Assets – ROA*, viewed 12 May 2017	http://www.investopedia.com/terms/r/returnonassets.asp	Other than backing up the definition of ROA presented together with Investopedia 2017b, this source provided support for the use of peer company comparisons for the analysis of ROA ratios to be more meaningful.
Investopedia 2017e, *Current ratio*, viewed 24 May 2017	http://www.investopedia.com/terms/c/currentratio.asp	This source was referred to for the definition and analysis of the current ratio.
Investopedia 2017f, *Working Capital Management*, viewed 16 May 2017,	http://www.investopedia.com/terms/w/workingcapitalmanagement.asp	This source encouraged the use of the proposed strategy and plans, with its detailed explanations on inventory management. Providing further understanding of the inventory turnover ratio, as well as the indication of an asset surplus with AVL's current ratio analysis.
Morningstar 2017a, *Australian Vintage Limited Financial Data*	http://datanalysis.morningstar.com.au.simsrad.net.ocs.mq.edu.au/af/company/corpdetails?AS	In this source, the financial ratios of Australian Vintage Limited for the period

– *Ratio,* DatAnalysis Premium database, viewed 12 May 2017	XCode=AVG&xtm-licensee=datpremium	between the 2012 and 2016 financial year was analysed and the outputs of the data are shown in Figure A, B, C, D, E, F.
Morningstar 2017b, *Treasury Wine Estates Limited Financial Data – Ratio*, DatAnalysis Premium database, viewed 16 May 2017	http://datanalysis.morningstar.com.au.simsrad.net.ocs.mq.edu.au/af/company/corpdetails?ASXCode=TWE&xtm-licensee=datpremium	In this source, the financial ratios of Treasury Wine Estates Limited for the period between the 2012 and 2016 financial year was analysed and the outputs of the data are shown in Figure C, D, E, F.
NSW, D., 2015. *International Wine Tourism to NSW,* viewed 23 May 2017	http://www.destinationnsw.com.au/wp-content/uploads/2016/03/International-wine-tourism-YE-Dec-15-.pdf	Statistics used to highlight international traveller spending in NSW.
O'Byrne, R 2014, '*Logistics and Distribution Cost Reduction Techniques*', Logistics bureau, 6th August, viewed 30 May 2017	http://www.logisticsbureau.com/logistics-and-distribution-cost-reduction-techniques/	The data in this was used to point out techniques to reduce costs of goods sold, especially run the staff training program to avoid the low and poor quality products and increase the productivity of the staff.
Pash, C., 2016, '*The turnaround at Treasury Wine Estates delivers double the profit*', Business Insider Australia, 18th August 2016, viewed 18 April 2017	https://www.businessinsider.com.au/the-turnaround-at-treasury-wine-estates-delivers-double-the-profit-2016-8>	Profit figures and narrative on the nature of Treasury Wines estates.
Play Store, Google Airbnb App, viewed 24 May 2017	https://play.google.com/store/apps/details?id=com.airbnb.android&hl=en	Statistic of number of times the Airbnb App has been downloaded.

Thomsen, S., 2016, '*Australian Vintage posts $2 million loss after killing off a major vineyard lease*', Business Insider Australia, 29th August 2016, viewed 18th April 2016	<https://www.businessinsider.com.au/australian-vintage-posts-2-million-loss-after-killing-off-a-major-vineyard-lease-2016-8>	Narrative on the strength of the UK market. This source was also used to illustrate about the loss of the company with exact amount, even though its profit has increased by 20% comparing with the profit of the financial year ended 2015.
Tourism Australia 2014/15 Annual Report, viewed 20 May 2017	http://www.tourism.australia.com/documents/Statistics/TACP9700_Annual_Report_2014-15_Book_WEB_links.pdf	Used numerical data depicting a market for tourism in Australia during 2014/15.
Tourism Australia Consumer Demand Project, Food and Wine 2013, viewed 20 May 2017	http://www.tourism.australia.com/documents/Statistics/TA_Factsheet_CDP_FoodandWinereport.pdf	Statistics used to highlight number of international visitors to Australia in 2013.
Treasury Wine Estates Limited 2016, *Annual Report for the year ending 30 June 2016*, viewed 12 May 2017	https://www.tweglobal.com/~/media/Files/Global/Annual-Reports/2016-Annual-Report.pdf	In this source, Treasury's regional sourcing model was extracted and used to support the proposition of working capital management and inventory management plans.
Webber, D 2015, '*Seven ways to save money and manage currency risk in your business*', 12th May, viewed 30 May 2017	http://economia.icaew.com/features/april-2015/seven-ways-to-save-money-and-manage-currency-risk-in-your-business	In this source, the currency risks part was taken to explain about the event of Brexit that was one of the main reasons resulting in AVL's loss of the financial year ended 2016.
Willsher, K., 2014, '*China becomes biggest market for red wine, with 1.86bn bottles sold in 2013*', The Guardian, 30th	<https://www.theguardian.com/world/2014/jan/29/china-appetite-red-wine-market-boom>	Analysis and reasoning for trends that have occurred within the wine market for China and linking this to the strategy that was then created.

January 2013, viewed 20th April 2017		
Wine Australia, *Export Market Guide - Mexico* (2016), viewed 19 May 2017	https://www.wineaustralia.com/exporting/by-market/export-market-guide-mexico	Helped elaborate on how the TPP would affect exports into Mexico.
Wine Australia, *Export Market Guide – Vietnam* (2016), viewed 21 May 2017	https://www.wineaustralia.com/selling/by-market/export-market-guide-vietnam	This site helped to establish what the export market in Vietnam was like and show what existing trade agreements were in place.
Wines Australia, *Duties and Taxes for the Vietnamese Market* (2016), viewed 21 May 2017	https://www.wineaustralia.com/selling/by-market/export-market-guide-vietnam/duties-and-taxes	Figure 2 came from this website.
Wine Australia December 2015 Export Report, 2016, Wine Australia, viewed 20 April 2017	https://www.wineaustralia.com/news/media-releases/export-report-december-2015	The figures from the extent of the Chinese wine industry to provide an insight into the growth that has been experienced over the years from this industry.
Wine Australia December 2016 Export Report, 2017, Wine Australia, viewed 20 April 2017	https://www.wineaustralia.com/news/media-releases/december-2016-export-report	What was used from this source: Data pertaining to the movement on China when it came to their growth and data pertaining to the fall in the value of sales when it came to the US.
Wine Australia, *The cellar door as catalyst for wine consumption changes and multiplier of sales in the Australian wine market*, viewed 22 May 2017	https://www.marketingscience.info/wp-content/uploads/2016/07/Cellar-Door-Project-Final.pdf	Statistics were used to highlight profitability of wine sales through wineries and show consumer changes in wine consumption after visiting wineries.

Wine Australia, *Australian Wine Industry Cellar Door Research Study 2013* (part 2: follow-up surveys - interim report), viewed 23 May 2017	http://search.ror.unisa.edu.au/media/researcharchive/open/9916015109301831/53119455640001831	Statistics were used to highlight profitability of wine sales through wineries and show consumer changes in wine consumption after visiting wineries.
Young, A 2010, '*Brexit hits Australian Vintage profits*', 6th July, viewed 30 May 2017	http://www.theshout.com.au/2016/07/06/article/Brexit-hits-Australian-Vintage-profits/ANRKBBFYAG.html	The data and information about Brexit event which caused unrealized foreign exchange loss and impacted on sales in UK due to the unrealized. And this source was used to explain about the UK's currency influencing the profit of AVL.
Sources Examined but not used (NON-Used Data)		
Wine Sector, 2016, "*Economic Contribution of the Australian*", viewed 11 May 2017	https://wineaustralia.com/WineAustralia/media/WineAustralia/PDF/Market-Insights/2016/Final-AgEconlus-Economic-Contribution-Australian-Wine-Sector.pdf	This source was not used though data presented was useful in giving a broad understanding of wine industry it was not specific to propositions discussed.
Tourism Australia "*Gourmet Tourism is Growing*", viewed 15 May 2018	http://www.tourism.australia.com/documents/Campaigns/TACA8050_Food_and_Wine_FS.pdf	Data on wine consumption was better presented in other sources used.
Australian government Department of Resources, energy and Tourism, 2009, "*Snapshots 2009 food and wine tourism in Australia 2009*", viewed 15 May 2017	https://www.tra.gov.au/ArticleDocuments/185/Snapshots_2009_Food_and_Wine_FINAL.pdf.aspx?Embed=Y	More recent statistic's highlighting tourism and in particular wine tourism in Australia was found for 2014, and 2016 which was utilised in our report.

Cessnock City Council, 2015, TOURISM "*Research Australia Data Hunter Region and Hunter Valley Wine Country*", viewed 19 May 2017	http://advancecessnock.com.au/wp-content/uploads/2015/07/Tourism-Research-Data-June-2016.pdf	Statistics were specific to the hunter region and did not represent other areas in which AVL operates and therefore would provide a narrow view of how our tourism proposition would work for AVL.
Win for Australian Wine Exporters to Vietnam	http://trademinister.gov.au/releases/2004/mvt045_04.html	The information and the site itself is over 10 years old, which did not seem appropriate for the report.
Vietnam's market for Australian wine	http://www.dynamicexport.com.au/articles/markets/vietnams-market-for-australian-wine-6821/	This source had interesting figures about the export of wine to Vietnam. However, the accuracy of the information seemed questionable at best.
Importing wine into Mexico From Europe	http://www.tibagroup.com/mx/en/importing-wine-into-mexico	Used this site for a better understanding of wine exports into Mexico, however it did not seem suitable for use in the report.
Thach, L., 2017, *The Future is Bright for US Wine in 2017: Statistics from 2016 Paint Rosy Picture*, Dr. Liz Thach, MW	https://lizthachmw.com/2017/01/31/the-future-is-bright-for-us-wine-in-2017-statistics-from-2016-paint-rosy-picture/	Used for initial consideration of the American market however was not used because of the conciseness of only referring to one country was preferred.
Withers, T., 2017, '*Kiwi wines conquer key US market, beating Australian exports for the first time*', The Sydney Morning Herald, 13th April 2017	http://www.smh.com.au/business/world-business/kiwi-wines-conquer-key-us-market-beating-australian-exports-for-the-first-time-20170412-gvk1xb.html,	Used for initial consideration of American market trends however was not used for favour of the Chinese market.

Australian Wine Export Market Snapshot USA, 2016, Wine Australia	https://wineaustralia.com/WineAustralia/media/WineAustralia/News/20160802-USA-Country-in-focus_Jun-16.pdf	Rejected again for the failure to account for the American market in the report.
Australian Wine Export Market Snapshot USA, 2017, Wine Australia	https://www.wineaustralia.com/getmedia/9a2f0fad-075a-4c1e-844b-018b699888d6/USA-Country-in-focus_Dec-16.pdf	Rejected again for the sake of keeping things concise and only referring to the Chinese market.
Wright, L., 2015, '*Canada among the world's top consumers of imported wine*', The Star Business, 17th February 2015	https://www.thestar.com/business/2015/02/17/canada-among-the-worlds-top-consumers-of-imported-wine.html	Not used because of the failure to use the Canadian market within the use of the report when considering the 'Export to profitable countries' heading.
Wine Australia, 2016, *Premium Australian wine exports to Canada continue to grow*, Wine Australia, 19th October 2016	https://www.wineaustralia.com/news/media-releases/premium-australian-wine-exports-to-canada-grow,	Not used as Canadian market trends were not analysed within the report.
Australian Wine Export Market Snapshot Canada, June, 2016, Wine Australia	https://wineaustralia.com/WineAustralia/media/WineAustralia/News/Canada-Country-in-focus_Jun-16.pdf	Again, not used as the Canadian market did not become the focus of the report.
Australian Wine Export Market Snapshot Canada, September, 2016, Wine Australia, available at	https://www.wineaustralia.com/WineAustralia/media/WineAustralia/News/Canada-Country-in-focus_Sep-16.pdf	Not used as trends within the Canadian market were not later discussed within the report.
Bartlett, E., 2015, *The 10 most popular varieties of wine in Britain*, indy100	https://www.indy100.com/article/the-10-most-popular-varieties-of-wine-in-britain--xyC0UtWVTx	This source was not considered as a data source because of the decision to only focus on the Chinese market and not the UK.

Australian Wine Export Market Snapshot UK, 2016, Wine Australia	https://wineaustralia.com/WineAustralia/media/WineAustralia/News/UK-Country-in-focus_Jun-16.pdf	Not used as a source, again because of the decided lack of need to focus on the UK market.
Australian Wine Export Market Snapshot UK, 2017, Wine Australia	https://www.wineaustralia.com/getmedia/52b968f7-5fa6-4de7-8404-2d38c713f343/UK-Country-in-focus_Dec-16.pdf	The lack of the focus on the UK market was the reason why this source was not used.
Seeking Alpha 2016, '*Australian Vintage Limited: Will There Be A Toast?'*, viewed 26 May 2017	https://seekingalpha.com/article/4002047-australian-vintage-limited-will-toast	Although the source supported the inventory management plan, the data was not used as the data was difficult to understand and utilise. It also analysed other financial ratios but it was irrelevant to the proposition made. As well as it being more of an opinion article and would be less convincing as a data source.
Pini, A 2016, 'INSIDE: Australia Vintage Limited', 21st April, viewed 30th May 2017.	http://www.drinksbulletin.com.au/latest-news?Article=inside-australian-vintage-limited-as-seen-in-drinks-trade	This source was useful for general understanding of AVL company and its advertisements in both domestic and overseas markets. However, its data was not used due to lack of further information about any specific areas about cost and its projections in the future.
Mickleboro, James 2016, 'Is Australia Vintage Limited a better buy than Treasury Wine Estates Ltd?', *The Motley Fool,*	http://www.fool.com.au/2016/09/19/is-australian-vintage-limited-a-better-buy-than-treasury-wine-estates-ltd-2/	Even though the source was very useful for the figuring out if AVL has a better position than Treasury Wine Estates Ltd with some figures and valuable

19th September, viewed 30th May 2017.		information about impacts of Del Rios vineyard, the data is insufficient with evidences and analysis.
More for less: five step to strategic cost reduction, 2016, PWC, viewed 30th May 2017.	https://www.pwc.com/gx/en/insurance/publications/firing-on-all-cylinders-five-steps-to-strategic-cost-reduction.pdf.	This was useful and only used to have a fully self – understanding about how to have appropriate plans for cost reduction after going all the strategies and steps to apply them on a business, especially in the case of AVL.

5.2 Appendix 2- Reflection on group work

As part of Accg399 we were tasked with the completion of a business simulation which required us to analysis the financial reports of Australian Vintage Limited (AVL) and Treasury Wine Estates. Our group worked well together. We began the assignment coming together, discussing how best to complete the assignment initially researching AVL's financials and possible propositions that could be presented in our report. We then discussed all propositions and delegated separate sections to each other ensuring no propositions overlapped.

During the initial stages of our assignment we spent a week going over the CA insights course as we knew data analytics would play a critical role in not only analysing financial statements but finding trends and patterns in non-financial data and helping with predictive analytics to substantiate our propositions to increase AVL profit.

The CA ANZ short course was a good way to approach the new concepts of big data and systems of insights (SoI). The introduction gave a thorough explanation of the concepts and then steps were provided to teach us how to use Power BI. The course also linked us to the topic of our report 'agribusiness', by suggesting relevant data sources from which non-financial information and insights can be extracted e.g. Google trends, ABS, Austrade, Wine Australia, Data.gov.au. The actual course was short and mostly straightforward as well,

with short videos being accompanied by supporting notes from hyperlinks and discussion exercises.

However, the course had some issues that made it difficult to be useful for the assessment. Despite looking easy to work with since sample excel files were given in the short course, it was a lot harder to get proper insights. We tried getting results from the basic financial data sets such as AVL's financial statements, by converting and combining financial statements into one excel file. Only to be met with more editing work on Power BI to delete irrelevant titles, and defining each column as text, numbers etc. Even after this was done, the insights were not ideal. For example, some had correlated '2016' and '2015' without being able to recognise 2016 and 2015 as a 'year'. It was also a challenge to find relevant data from the given data source websites, that were or could be converted into the appropriate format for it to be uploaded onto the Power BI platform. We felt that it would have been easier to understand how to use Power BI given workshops as we could directly discuss our issues with the software with people who knew how to operate the system. Given these difficulties we decided it would be better to conduct our data analysis through excel and Qlik.

The assessment was a practical learning experience that required us to apply our fundamental accounting knowledge to the reporting of solutions to issues in the business world. Other than learning to link financial ratio analysis results to strategy propositions, it has exposed us first-hand to the influence of IT and the changing accounting environment with the addition of data analytic platforms like Power BI. Introducing us to a new data analysis method, supplementary to that of the traditional financial information analysis. This assignment gave us the opportunity to enhance our research skills and made us think more critically about data while applying theoretical and technical accounting knowledge to solve problems.

While from a business perspective, we could also learn to think and comprehend the role of management. As seen with the proposal of business strategies in a report format, to address issues of losses in a company. It also informed us that companies always need to account for their actions by relaying their justification to affected parties like their shareholders. Also, expanding our knowledge in Agribusiness, a sector that we were not familiar with as well as the wine industry. Seeing how vineyards operate and the movement of wine from country to

country provided us a greater insight into an industry we had previously not considered before.

Completing this report required us to keep in mind that whilst we would be interpreting the non-financial and financial data with all the skills we've accumulated through studying accounting, the output we produced (i.e. the report) would have to be accessible to users who may come from diverse business backgrounds. This captured our attention, as it is indicative of what we as aspiring accountants will eventually do on a consistent basis once we are out in the workforce.

The assignment gave us the opportunity to practice our data analytical skills. This is a key skill which accountants must utilise, as data becomes freely available to the business and the public through advancing technology to identify key business insights and help business generate and maintain a competitive advantage.