

## **PART A. PROFILE OF BUSINESS**

Pagos de Familia Vega Tolosa, S.A. (Limited Company) - VEGA TOLOSA- is a Spanish family business dedicated to the production of organic wines under the Denomination of Origin of “Manchuela” and wine tourism –NACE Rev.3: 1102, manufacture of wine from grape–. It is located in the town of Casas Ibáñez, between the Júcar and Cabriel river valleys, province of Albacete, in the Autonomous Community of Castilla-La Mancha (Spain).



Another company run by the same family, AGROTOLPE, S.A.T. (a cooperative agricultural processing company) is dedicated to cultivating non-perennial species (vines, cereals and legumes) and support activities for farming – NACE Rev.3: 0119, growing of other non-perennial crops, 0161, support activities for crop production–. Both activities are complementary since the second company provides material for the first company’s wine production. It has 220 hectares of vineyards with the certification of organic farming. The vineyards are located on a plateau at 750 metres above sea level and 120 kilometres from the Mediterranean coast. This location brings cool, damp winds in summer and provides thermal variations which assist the slow ripening of the grapes. The family also has 500 hectares of organic farmland where they grow cereals and grain legumes for human consumption (lentils).



The winery produces red, white and rosé organic wines. The main grape variety is Bobal, (with vines over 80 years old), but they also cultivate Macabeo grapes and new varieties. For white wine, they grow Chardonnay, Sauvignon-blanc, Viognier and Moscatel, and for red wine, they cultivate Tempranillo, Syrah, Cabernet-Sauvignon, Merlot and Garnacha Tintorera. This translates into a production, between bulk and bottled, of approximately 2,000,000 litres of wine a year: 600,000 bottles, with 11 different types, including red wines (8), white wines (3) and a rosé (1); young wines, semi-dry wines, barrel-aged and vintage. One of the main characteristics of their wines is that, apart from being organic, they have been adapted to please new, younger consumers, who demand wines which suit their tastes more closely. Their wines have won prizes and awards such as one gold and two silver medals at the International Organic Wine Awards at the 2014 edition of the Mundus Vini Biofach trade fair, (Neustadt); a silver medal at the 2014 International Cata Arribe Awards (Salamanca); a silver medal at the 2104 International Rosé Wine Competition (Paris); two gold medals at the 2015 China Wine & Spirits Awards (CWSA); a Grand Gold medal at the 2015 Mundus Vini Biofach; three silver medals at the 2015 Millésime Bio world organic wine fair; and a silver medal at the 2015 Austria Wine International Challenge (Vienna).

## **PART B. THE FAMILY BUSINESS DIMENSION**

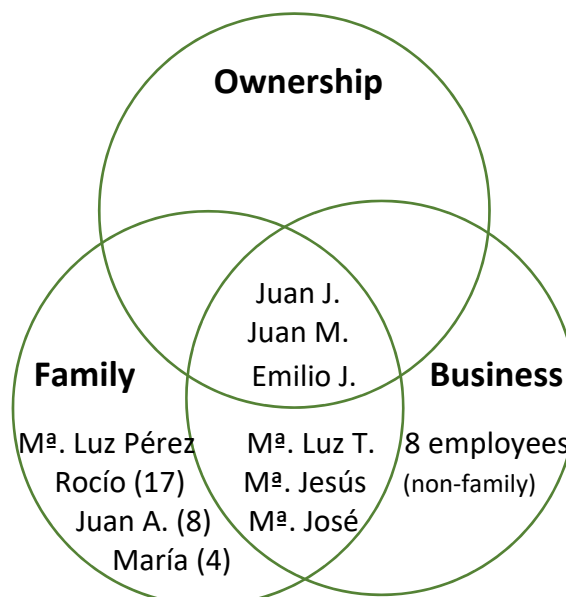
The first mention of the existence of a winery among the family ancestors dates back to 1905. The great-great grandfather of the family, José, married to Ana, had a *jaraíz*, a small family winery for their own consumption, as was common at that time in the area, in the same way as

families had an oven or an olive press. The property was handed down from generation to generation until it reached Juan José Tolosa Valverde (78), the second of three brothers, married to Mariluz, who decided, on his father's retirement in the mid-70s, to buy out his brothers, and devote himself fully to the business. Until that time the winery was in the centre of the town, next to the family home. It was small and sold bulk wine to customers from the surrounding area.

It was in the mid-90s when Juan José Tolosa Valverde decided to take advantage of the fact that, with the aim of planting improving varieties, the uprooting of vines of the Bobal local grape was being encouraged. He decided to buy the land where they were planted, but not with no intention to uproot these mature vines. At the same time, he maintained 150 hectares of land dedicated to the cultivation of lentils, wheat and barley. His son, Juan Miguel Tolosa Pérez, also entered the business.

In 1998, Juan José Tolosa Valverde and his sons, Juan Miguel (50) and Emilio José (45) Tolosa Pérez, decided to build a new, more modern, practical and functional winery to suit the family's objectives, that is the production of higher-quality own-brand bottled wines, and market them at world level. All three have a share in the family businesses (winemaking - 60%, cereals and legumes -40%), with wine production being the main business. For political and legal reasons, the project was finally set up in the new Casas Ibáñez Business Park, instead of in the countryside, as was the original idea.

The father gave over the business and the brothers then decided to divide responsibilities, with Juan Miguel taking over the winery and Emilio José the agricultural business. The vines are cultivated on the farm in a natural and organic manner, respecting the biodiversity of the area, which is populated by autochthonous flora and fauna, and surrounded by olive trees, pine trees and oak forests.



**Figure 1 – Vega Tolosa 3-circle diagram**

The Tolosa family participates actively in the business (Figure 1). The two brothers, Juan Miguel and Emilio José, are co-owners, together with their father. The winery is managed by Juan Miguel, the older brother and the farm by Emilio José. Their respective wives, María Jesús and María José work in administrative positions, with the former in charge of the winery visits and wine tastings and the latter taking care of the accounts. Juan Miguel's elder daughter, Mariluz, conducts business activities in the area and helps out in the guided visits and the wine tasting events. Juan Miguel's second daughter, Rocío, plans to study oenology, with the aim of taking part in the family business. Emilio José's children, Juan Ángel (8) and María (4), are still small but they see the family business activity as part of their everyday environment. The Tolosa brothers highlight the entrepreneurial spirit of their mother, from whom they say they have inherited the thirst for business and her know-how, which guided the decisions of the family patriarch, Juan José Tolosa.

### **PART C. CHALLENGES & OPPORTUNITIES OF BUSINESS GROWTH & SUCCESSION**

In 2001, at the onset of the activity in the new winery, 800,000 litres of wine (60%) were bottled and the remaining production was sold in bulk (40%). The market expanded from regional to national level. In 2002, the company started to export abroad, to which it now dedicates 60% of its production. The main markets are Europe (especially the United Kingdom and Germany), Asia (primarily Japan and China) and the United States. To reach the international market, they use specialised distributors, who seek new wines and new grape varieties for their customers, finding in the wines of VEGA TOLOSA products which are differentiated, high-quality, organic and reasonably priced. Relations with these distributors are managed by an export service. The remaining 40% serves the national market, which is serviced by distributors (40%), managed by a commercial agent on the company's staff, and by operators working with restaurant and gourmet shops (20%). The other 40% of the national market is made up of direct customers who shop at the company's own store or buy online.

Wine tourism is a growing line of business. Since 2014, VEGA TOLOSA offers guided wine tours and wine tastings at the winery. Given the importance of this business, it is run directly by Juan Miguel, with the assistance of his wife and daughter. Before setting up this activity, the company conducted benchmarking studies, visiting other leading wineries in the field. The winery was renovated to adapt it to the visits and a wine tasting room with space for 20-25 guests. The company contacted wine tourism agencies, the Provincial Federation of Hotel and Restaurant Owners and rural tourism associations, and benefits from the wide-ranging demand in the Manchuela region.

The Manchuela is a region situated between the plains of La Mancha and the mountains of Cuenca, traversed by the Júcar and Cabriel rivers, which give rise to a rugged landscape running between two canyons, of remarkable natural beauty. The municipality of Alcalá del Júcar is a highlight. It is one of the most picturesque villages in the province of Albacete and was declared a historic-artistic site by Royal Decree in 1982. The village is framed in a limestone gorge marked by the Júcar river. The houses are set on the sides of the river bend, from the river up to the castle, resulting in steep, sloping, narrow streets with house-caves sculpted into the rock. The area was originally settled by the Iberians, Romans and Arabs and has a rich historic, cultural and natural heritage, being one of the most visited parts of the Community of Castilla-La Mancha. There are extensive rural tourism facilities on offer: rural accommodations, typical restaurants and leisure and free-time activities.

VEGA TOLOSA is also located in the Manchuela region, 8 kms from Alcalá del Júcar. Thus, it has reached agreements with rural tourism companies in the area to include the guided wine visits and organic wine tastings among the activities offered by these businesses, as well as attracting tourists directly from wine tourism agencies, travel agencies specialising in rural tourism and from its own website. The activity is flourishing and has grown extensively over the years. It includes a guided visit of the winery facilities and/or a tasting of the company's different organic wines. In 2017, a new tasting room was opened with capacity for 100-125 persons, since the previous one, holding only 20-25 guests had become too small for the existing demand. Furthermore, at the start of 2018, and as a result of the activity's success, a restaurant has been launched in the winery itself, offering catering services, with typical, local dishes, and event celebration. Currently, the tourists are mainly from Spain, especially from the Communities of Valencia, Madrid, and Murcia, as well as other neighbouring areas. VEGA TOLOSA is present and active on social networks: Facebook®, Twitter®, YouTube® y Google+®, in order to publicise the company's activities and keep the company in the public eye. Juan Miguel is directly responsible for managing their presence on social networks, so as to maintain direct contact with potential clients.

The company's good relationships with agencies specialising in wine tourism and rural tourism together with their high visibility through their own webpage, suggest a rapid growth in the activity and a new line of income from the direct sales of their wines and other organic products. Juan Miguel's daughter, Mariluz, will be responsible for consolidating this new line of business.

The family also grow organic cereals (wheat and barley) which are entirely marketed abroad, primarily to produce organic beers by German enterprises. The company also cultivates grain legumes for human consumption (organic lentils), which are sold entirely on international markets. They are currently looking at the possibility of processing and packing these legumes at their own agricultural facility and under their own label, to market them directly in organic food shops. In recent years, the company has uncovered another line of business involving the exploitation of a pigment present in the leaves of the Bobal variety vines in late summer and early autumn. It is highly valued in the pharmaceutical industry for its properties connected with the hematologic system, and can also be taken as an infusion. A French pharmaceutical company buys these leaves at present. The company is studying the possibility of marketing them directly.

#### **PART D. THE ENTREPRENEURIAL DIMENSION**

The main competitive advantage of VEGA TOLOSA (Figure 2) is the combination of the quality of their organic wines (primarily based on a the Bobal grape, a local variety, with special characteristics) and their constant product innovation, which leads them to adapt their wines to the tastes of new consumers (a younger customer base, who prefer wines with lower alcohol content and more modern flavours and finishes). The company has also adapted its product to international markets, using a "global strategy with adaptations" (modifying labels and bottles to the taste of customers in the target countries). Another advantage of VEGA TOLOSA is that it has always used pioneering strategies. First, by opting for a grape variety of decreasing popularity (Bobal); second, by incorporating organic principles into all its activities; third, by adapting its products to customers' demands; fourth, by launching its internationalisation before the 2007 economic crisis, which meant it was already positioned on international

markets when other wineries were just starting to export in order to alleviate the impact of the recession on a mature sector.

<b>Key Partners</b> <ul style="list-style-type: none"> <li>Wine Tourism Agencies</li> <li>Rural Tourism of Alcalá del Júcar Village</li> <li>Hostelry Associations</li> <li>Wine Tourism Associations</li> </ul> <p>Future:</p> <ul style="list-style-type: none"> <li>"Wine Route"</li> <li>Ecological oysters</li> </ul>	<b>Key Activities</b> <ul style="list-style-type: none"> <li>Communication</li> <li>Brand and Family Business</li> <li>Organic Products</li> <li>Direct sale</li> <li>Design</li> </ul>	<b>Value Propositions</b> <ul style="list-style-type: none"> <li>Quality</li> <li>Innovation</li> </ul>	<b>Customer Relationship</b> <ul style="list-style-type: none"> <li>Commercial (template)</li> <li>Commissioners (National market)</li> <li>Export manager (Foreign market)</li> </ul>	<b>Customer Segments</b> <ul style="list-style-type: none"> <li>National market (40%): <ul style="list-style-type: none"> <li>Distributors (2/5)</li> <li>Consumers (2/5)</li> <li>Restaurants (1/5)</li> </ul> </li> <li>Foreign Market (60%): <ul style="list-style-type: none"> <li>Distributors: <ul style="list-style-type: none"> <li>Europe (3/6)</li> <li>USA (1/6)</li> <li>Asia (2/6)</li> </ul> </li> </ul> </li> </ul>
<b>Key Resources</b> <ul style="list-style-type: none"> <li>"Bobal" Variety</li> <li>Ecological crops</li> <li>Designs: Labels and bottles</li> </ul>		<b>Channels</b> <ul style="list-style-type: none"> <li>Direct sale</li> <li>Online store</li> <li>Web, radio, magazines ...</li> <li>Specialized fairs: <ul style="list-style-type: none"> <li>national</li> <li>international</li> </ul> </li> </ul>		
<b>Cost Structure</b> <ul style="list-style-type: none"> <li>Winery (60%) <ul style="list-style-type: none"> <li>Wine and botting (3/5)</li> <li>Labour (2/5)</li> </ul> </li> <li>Machinery and agricultural maintenance (30%)</li> <li>Promotion (10%)</li> </ul>		<b>Revenue Streams</b> <ul style="list-style-type: none"> <li>Viticulture: sale of organic wines</li> <li>Agriculture: sale of organic agricultural products</li> <li>Wine tourism (visits y tastings): <ul style="list-style-type: none"> <li>Circuits</li> <li>Social Networks</li> </ul> </li> </ul>		

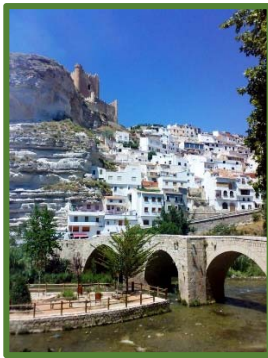
Figure 3 – Vega Tolosa’s Business Model

Following Porter’s Diamond Model, VEGA TOLOSA has made the most of: a) the factor conditions, that is, the level of development of highly specialised local resources (the Bobal grape variety; b) the demand conditions of the competitive internal market, leading it to enhance quality and leverage constant innovation; c) robust internal rivalry in a “multi-domestic industry” like the Spanish wine making sector. In this case, the main reason for the company’s internationalisation is the market evolution, seeking market expansion in other countries - national industry life-cycle and external demand-. Finally, the simplest way to enter these external markets is through exportation, using local agents who distribute the products in contractual arrangements.

**PART E. FAMILY ENTREPRENEURIALISM: LESSONS & CONCLUSIONS**

The keys to the Tolosa family’s success are various: a) the location in a region with special conditions in both land and climate, allowing them to maintain **traditional local crops**; b) Persisting with a local grape variety (Bobal) with **differentiating characteristics** and, at the same time, introducing new improving varieties, allowing them more production possibilities and extending their range of products; c) Preserving the **experience acquired by past generations** in the cultivation of vines, cereals and legumes, improving the professional training of staff and **modernising the facilities** and equipment; d) Committing to organic crops with a quality seal as a differentiating element; e) Registering under the Manchuela Denomination of Origin, which obligates them to comply with certain conditions but guarantees the traceability and **quality** of

their products, with the added advantage of their having opted for organic farming, with the subsequent value added; f) **Innovating** constantly and **adapting** to the tastes of their customers, anticipating and reaching national and international markets; g) Discovering the complementary activity of wine tourism, which utilises the advantages achieved in agriculture and winemaking; h) **Integrating the family** in the management of the company and preparing the next generation. An essential characteristic of the family's entrepreneurial development is the clear, early perception of the strategies to follow, leveraging the circumstances to make them into opportunities, drawing on the use of their main strengths.



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#### NOTES:

BOBAL (Carignan d'Espagne, Bobos, Bobal Noir): is a variety of red grape, originating from the area of Utiel-Requena (Valencian Community, Spain), which gives rise to a deep cherry coloured wine with violet tints, high in tannins and less acidic and less alcoholic than other Spanish wine varieties. These big, round grapes grow in large, dense bunches. The leaves turn red in late summer and begin to fall in early autumn. The vines are thick, with heavy, dense and upright shoots, and are highly resistant to drought.

“MANCHUELA” Protected Designation of Origin (PDO): <http://www.do-manchuela.com/en/>

VEGA TOLOSA, Vinos de familia: <http://www.vegatolosa.com/index.php?idioma=en>

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