The Tasting Room's Pivotal Role in a Winery's Direct-to-Consumer Marketing Strategy

by

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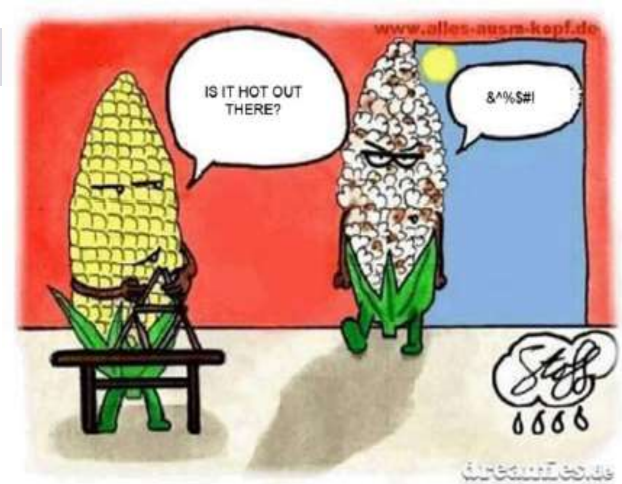
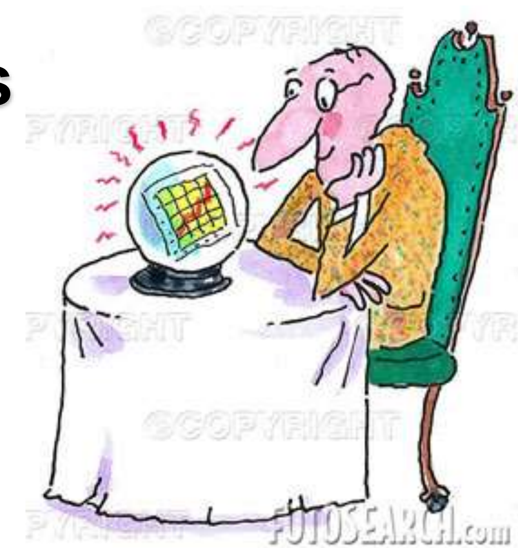
Outline



- Indicators that DTC is growing…..strongly
- Contrasting USA, Australia and Canada (ON & BC)
- Tasting room's pivotal role in DTC
- Hard evidence from research studies
- Questions - Answers

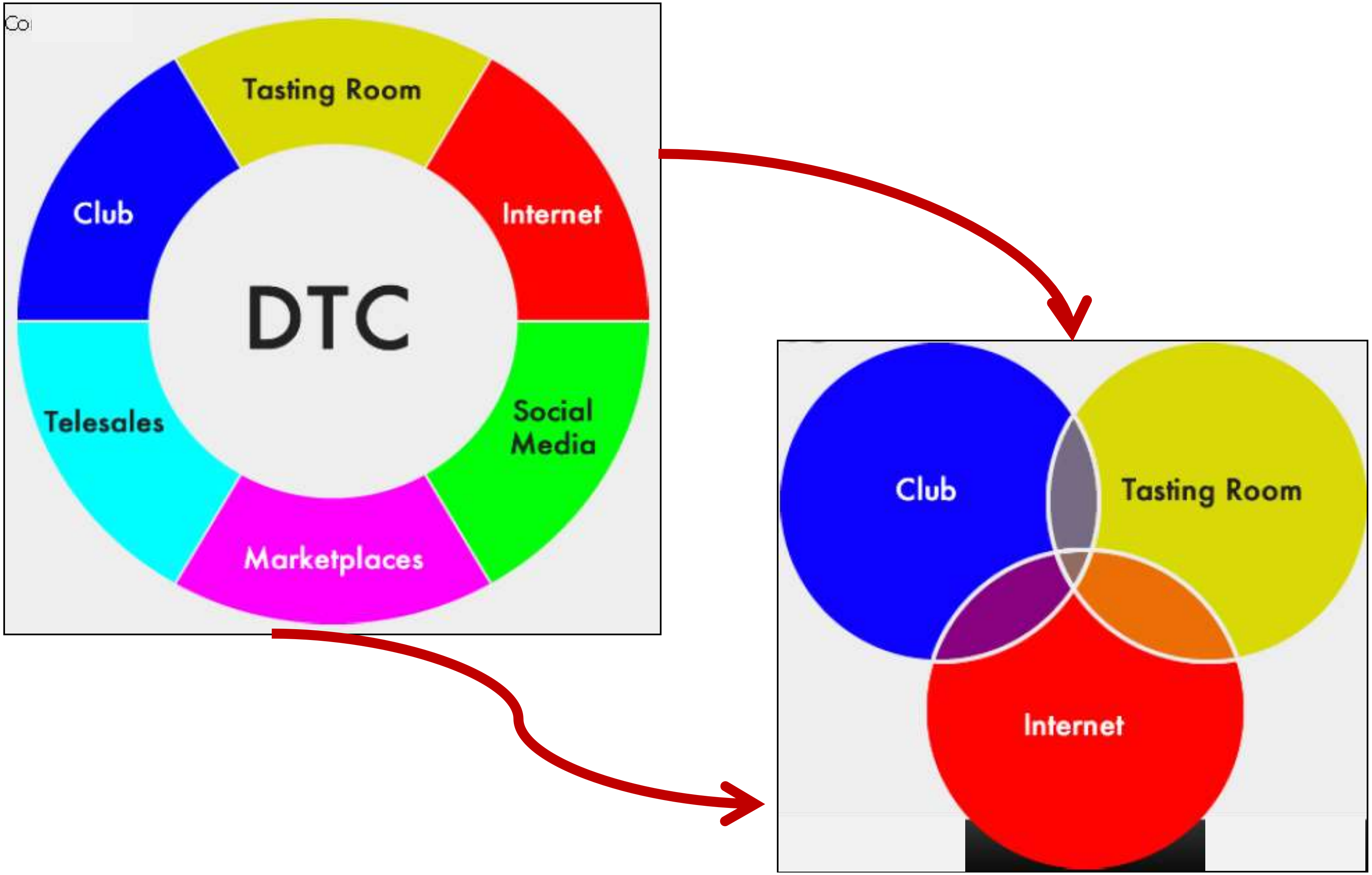


A Winery's Main Routes-to-Market

- Chain retail (i.e. LCBO; BCLB, etc)
- Independent retail (in AB, etc)
- On-premise retail
- Online retail
- Direct-to-consumer (DTC)

No 'serious' ☺ winery can afford not to have a channel strategy, BUT it should be one that is research-informed!

The Direct-to-Consumer (DTC) Pathways



(Kamphuis, 2013)

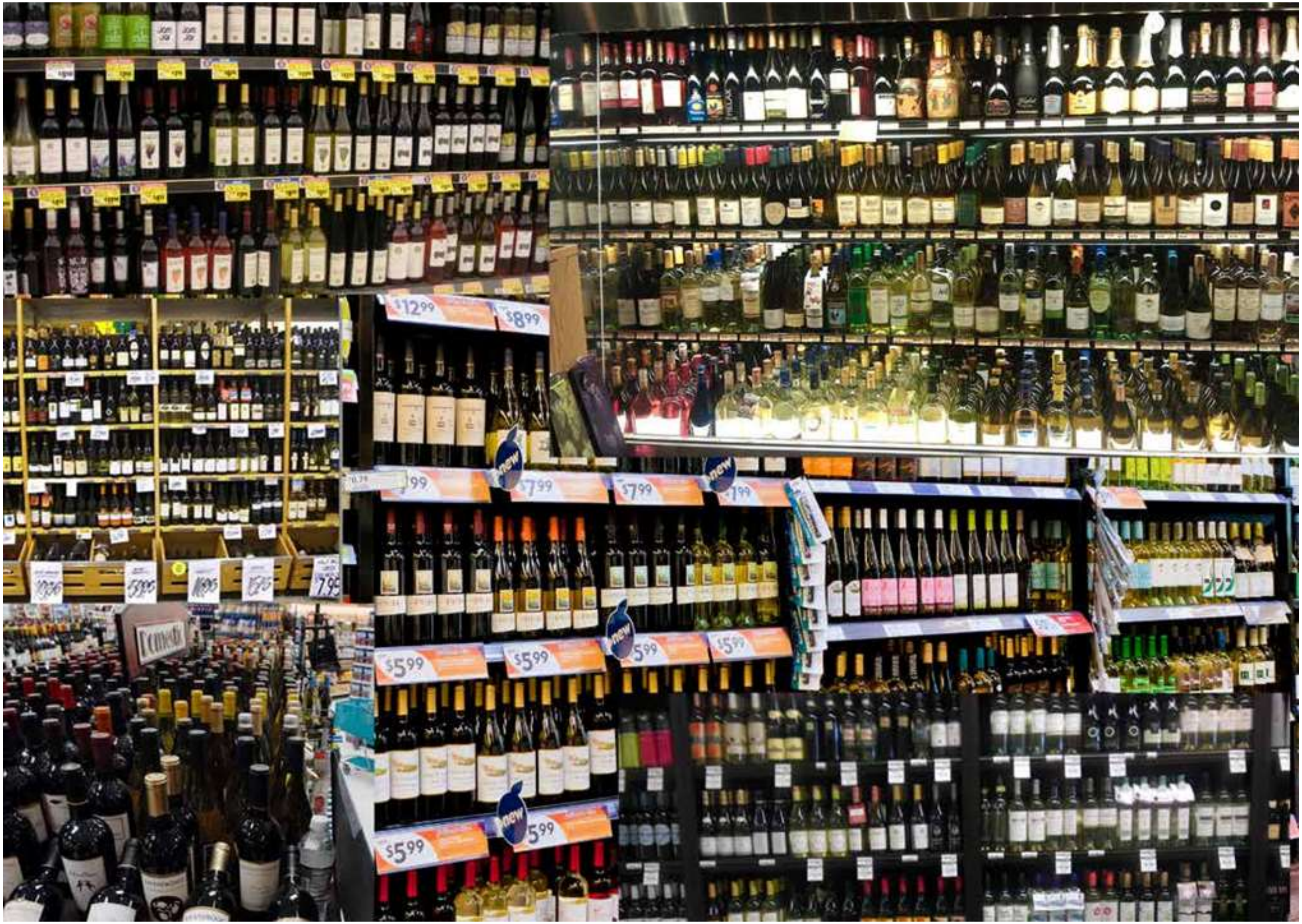
Why the Focus on DTC? Advantages?

Control of Products and Brands

- Control visitor experience
- Control positioning
- Control pricing
- Control allocation
- Control inventory
- Control storage

More margin
More money!

Moreover, NOT to have to deal with this……! ☺




PARTY ZONE · POUR LA FÊTE
VQA
ONTARIO
ONTARIO
CANADA

Or this….. ☺


AUSTRALIA · RED WINE
AUSTRALIE · VIN ROUGE

Or this….. ☺

Snapshot Comparison: 3 Countries and DTC 'Reality Check'

	Population Size	Wine Volume Sold	Value of Wine Sales
USA	321.7 mil.	3,046 mil lit.	US$ 39.3 billion
Australia	23.1 mil.	545 mil lit.	AU$ 7.5 billion
Canada	35.2 mil.	504 mil lit.	C$ 10.6 billion

DTC

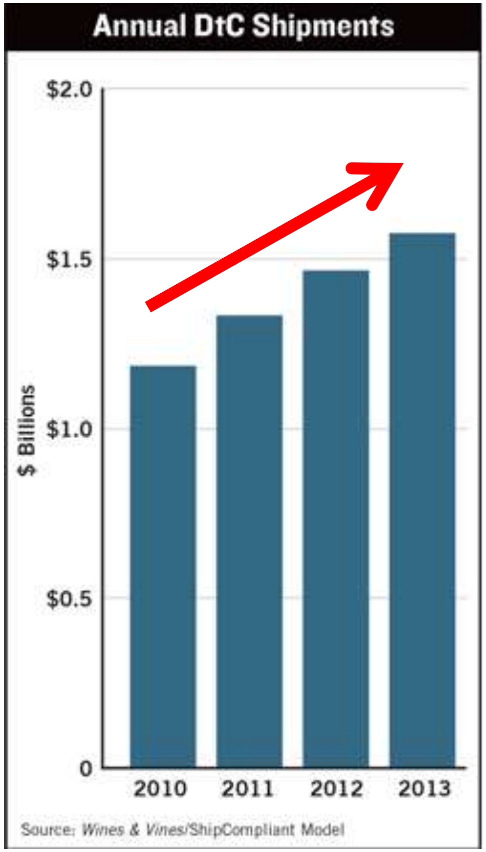
USA*
All Consumers:-
$1.58 billion (±4%)
31.23 mil. lit. (±1%)
Wine Tourists?

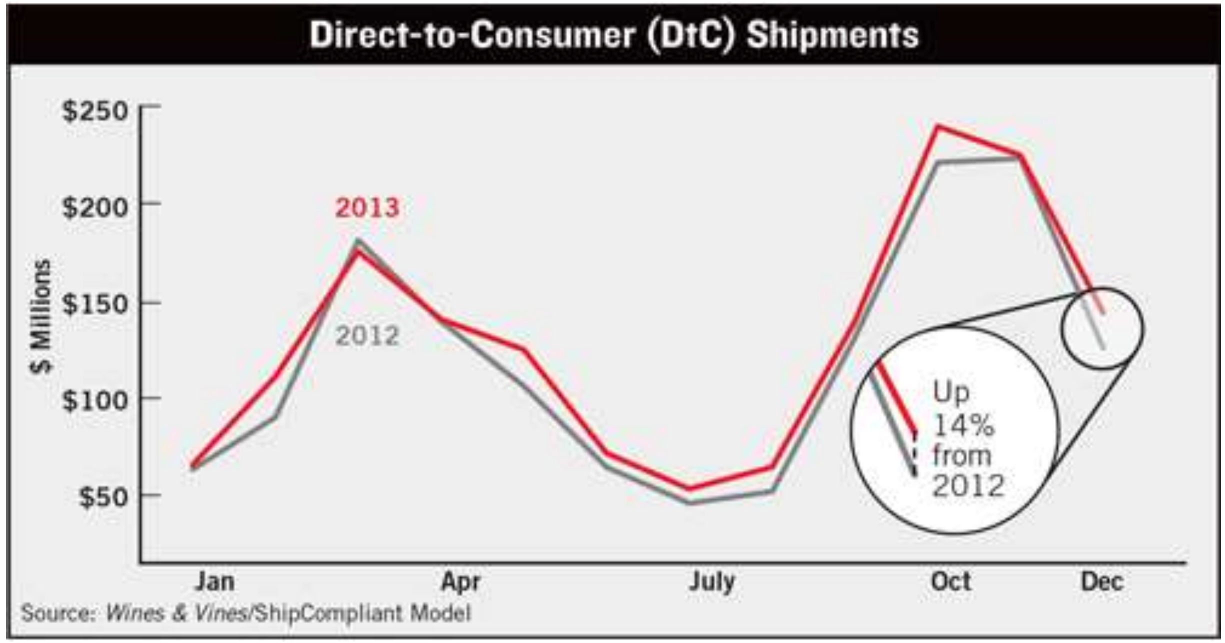
Australia
All Consumers:-
75.8 mil. lit. (±14%)
Wine Tourists?

Canada?

* Excludes tasting room sales

DTC - Fastest Growing Channel in the USA Wine Market

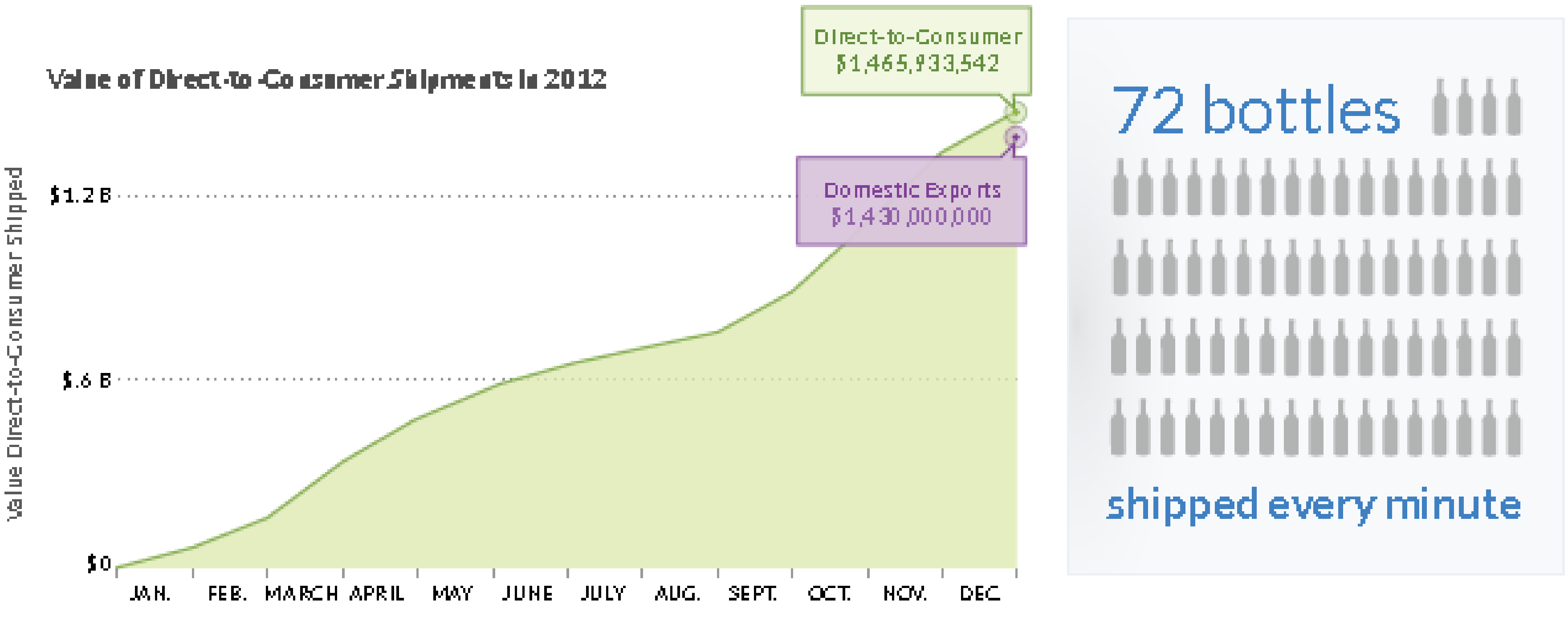




DTC - Fastest Growing Channel in the USA Wine Market

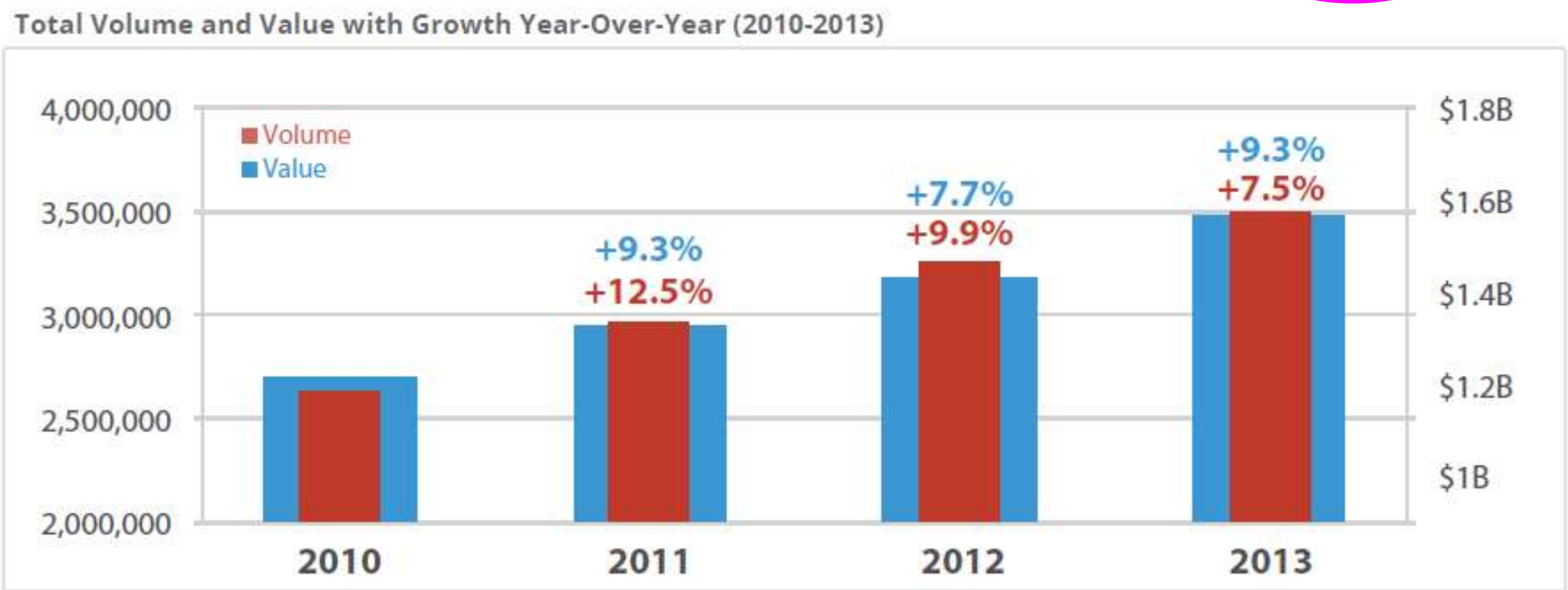
DIRECT SALES SURPASS U.S. WINE EXPORTS

The value of winery-to-consumer wine shipments outpaced the value of domestic wine exports* in 2012, accentuating the importance of the direct to consumer channel.



*SOURCE: WINE INSTITUTE

DTC in the USA Wine Market - Mostly at Ultra-premium Prices!



(Wines & Vines, 2014)

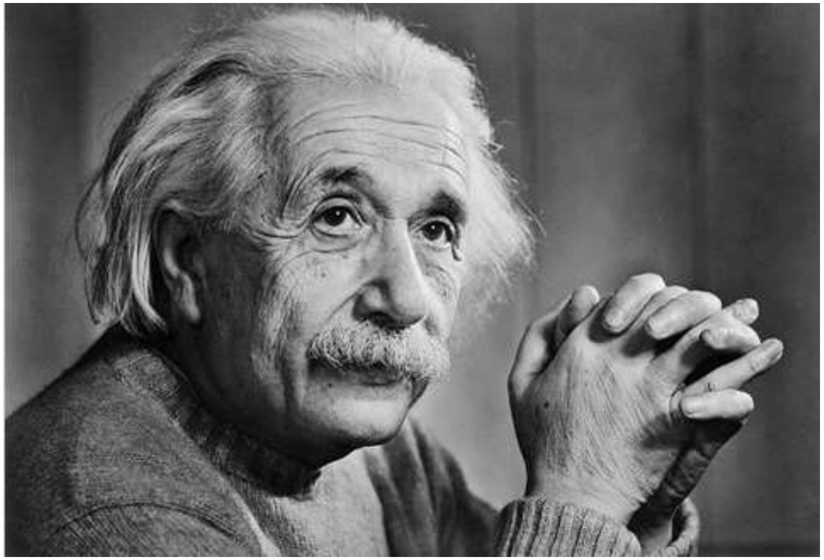
Is This the <u>Only</u> Role of the Tasting Room….?!

Dr. Johan Bruwer, 2014

The Tasting Room is the Core Attraction in Wine Tourism and Some of its Roles are…..

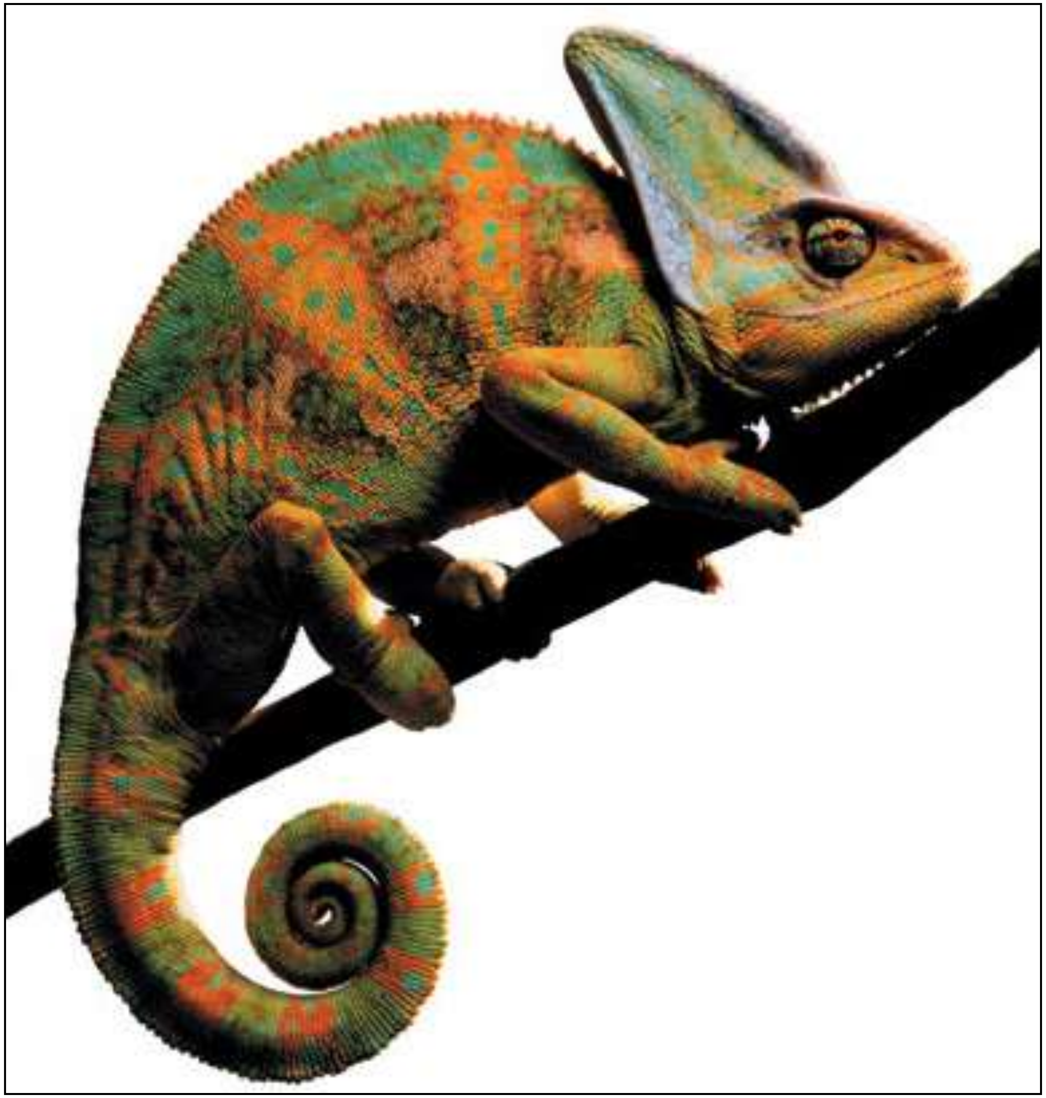
- Direct sales outlet at ‘full’ margin
- Increased wine sales
- Recruitment for wine club and mailorder
- Testing (tasting) of new product(s)
- Building brand loyalty
- Co-branding wine and food
- Consumer education
- Marketing intelligence opportunity

How Important is it Really that We Know More About the Consumers Visiting Our Tasting Rooms?



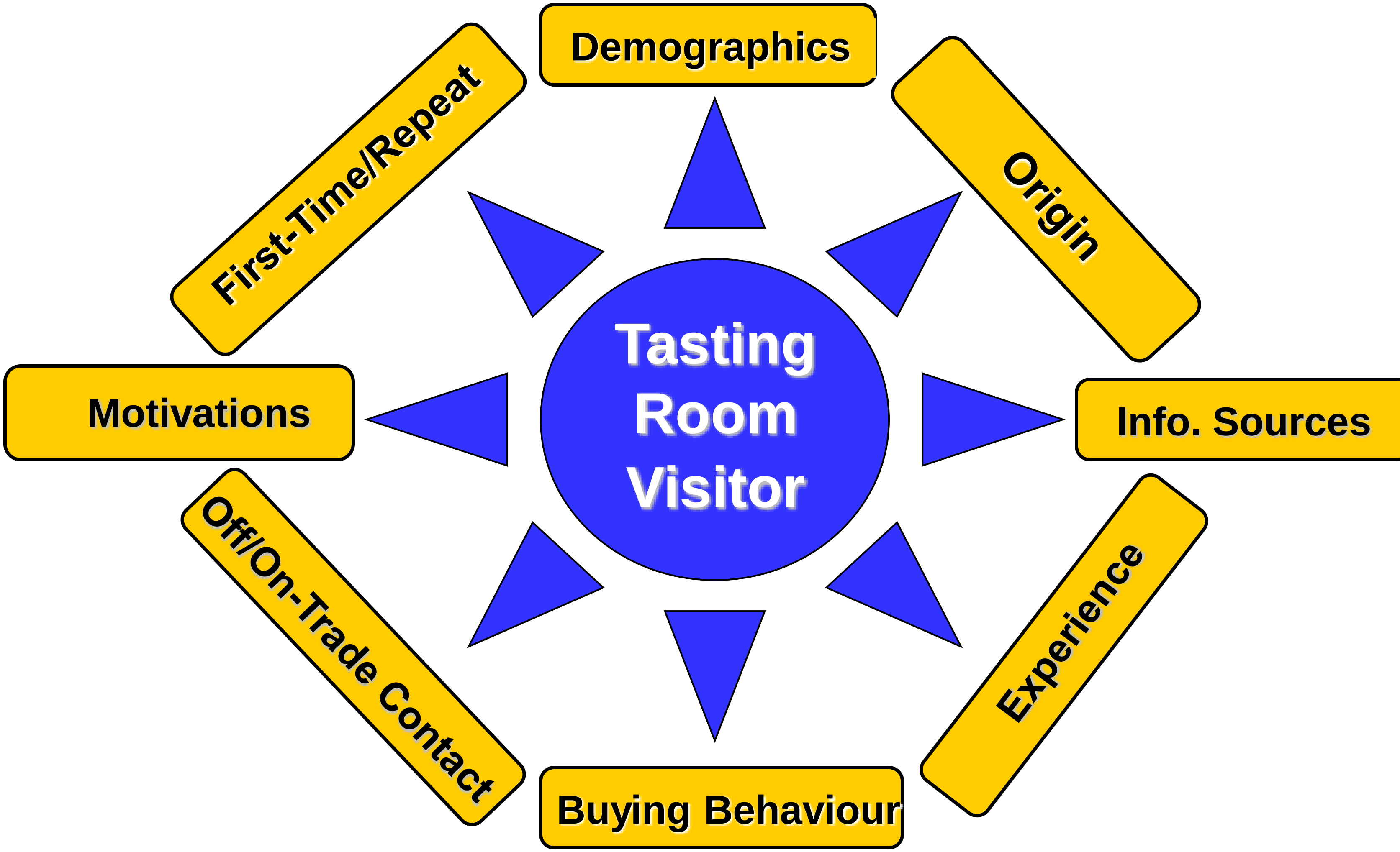
The Tasting Room Visitor…??

Fickle?



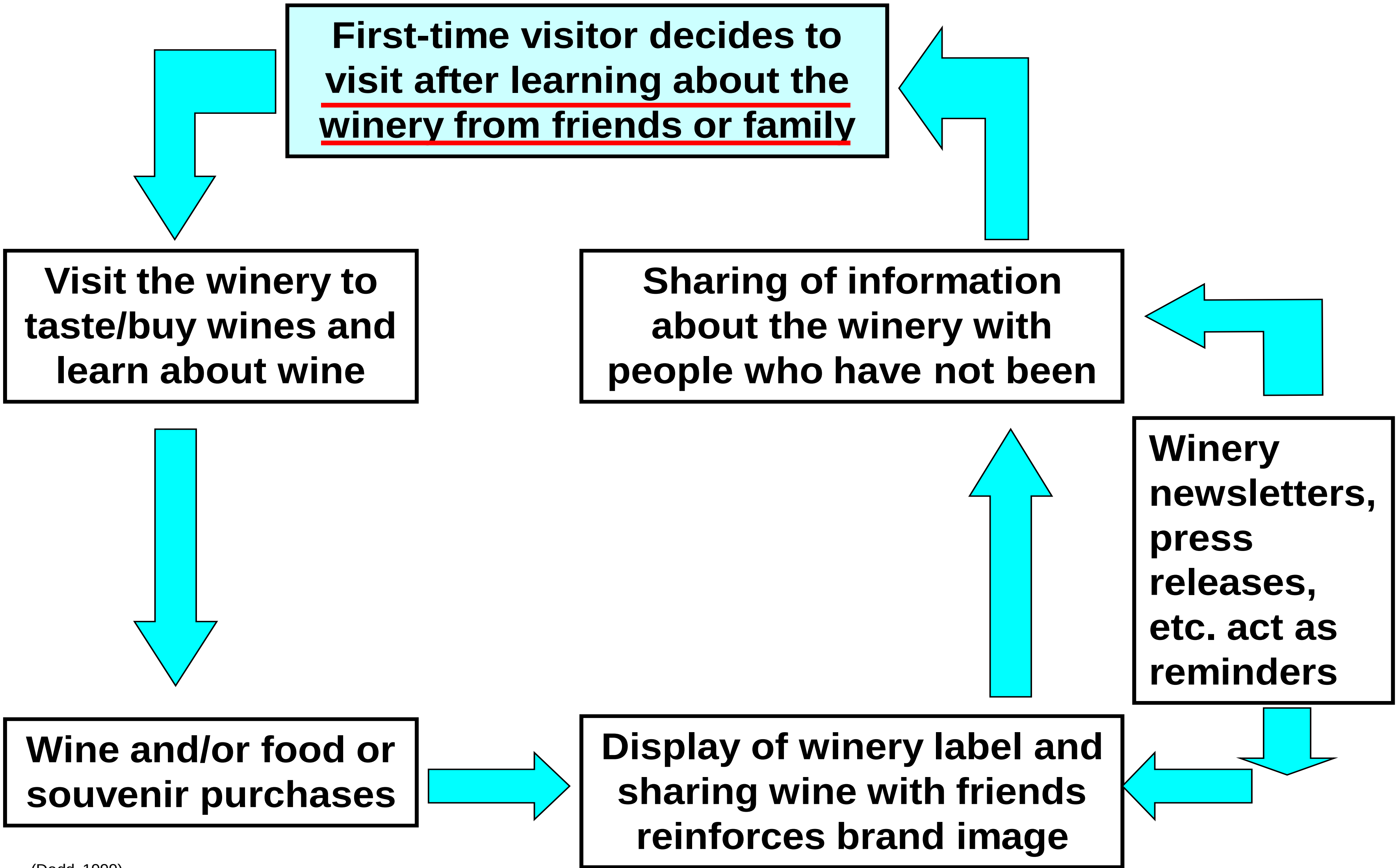
Mysterious?

The Tasting Room's 'Wheel' of Information



(© Bruwer, 2009)

Destinational Circle of Influence of the First-time Tasting Room Visitor



(Dodd, 1999)

Tasting Room: Hub for Invoking Change and Brand Communication

It creates Buzz:

	Australia	Canada
≤3 months post-visit told someone	77%	88%

(mostly via WOM and social media)

It Changes people's overall wine consumption:

≤3 months post-visit people reporting change	6%	18%

(sources: Bruwer, 2014; 2011)

DTC in Canada - Time for Another Reality Check?!

Channel type	2011 ON and BC (n = 2,911)	2013 BC Only (n = 510)
Liquor Boards (LCBO; BCLB)	47.7	46.7
Independent specialty shops (AB)	25.5	13.3
Independent (supermarket) kiosks	9.8	11.2
Tasting rooms	7.5	15.2
Restaurants	6.5	5.8
Bars/pubs	1.9	3.1
Wine club/mailorder	0.9	4.4
Online	0.2	0.3
DTC Volume Share %	8.6	19.9

(sources: Bruwer, 2011; 2013)

Caution: data reflect self-reported consumption estimates of wine tourists, not actual sales

(Wine Opinions, 2013)

Despite wine being low, it is evolving and no 'serious' player can afford not to have a strategy!

The Wine Club……..Heaven's Gate or Road to Hell?

Wine Club Benchmarks	
Club growth July 31, 2012-July 31, 2013	28%
2012 attrition rate	31%
2012 incremental sales	$187
2012 fulfillment sales per member	$361
2012 total sales per member	$549
Percent of incremental sales	33%
Total club spending in average 18-month lifetime	$823

(VingDirect, 2013)

"Even a small increase in the conversion of visitors to club members can have a big impact - from $8,000 p.a. for a winery with 1,000 visitors and increases its conversion rate by 1% to close to $1 million for a winery with 40,000 visitors increasing its conversion rate by 3%….." (Tammy Boatright, 2013)

Some USA Tasting Room Metrics

6% of tasting room visitors end up joining wine clubs.

Q: Estimate the conversion rate of visitors into wine club members.
(# of new club members in 2012 divided by # of total visitors in 2012)

Central Valley	5.7%
Mendocino	9.0%
Napa	7.7%
San Luis Obispo	5.5%
Santa Barbara	9.4%
Santa Cruz/Monterey	5.7%
Sonoma	8.8%
Oregon	5.9%
Washington	4.7%
Central States	3.7%
Eastern States	2.5%
Virginia	5.0%
Other	7.8%
Average	6.3%

source: Silicon Valley Bank, 2013

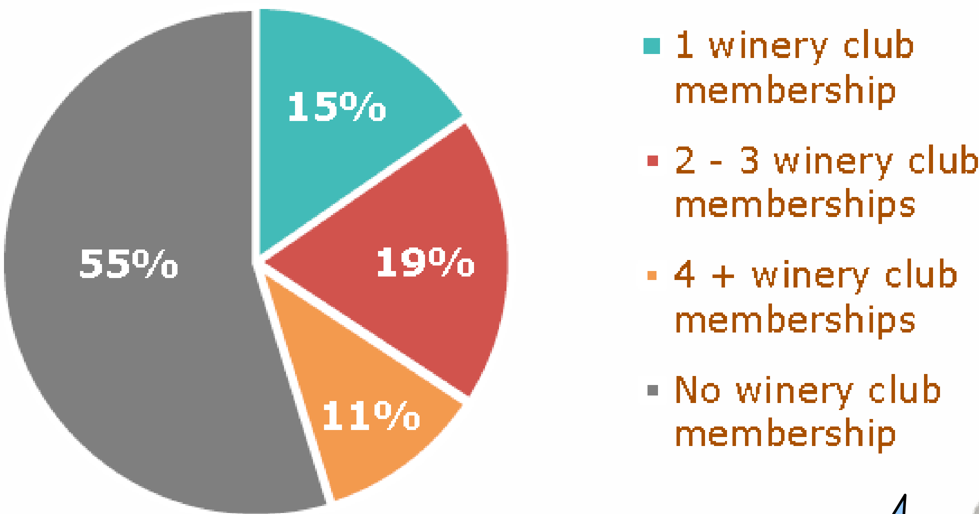
Q: What is the average per person annual sales for club shipments?

Central Valley	$235
Mendocino	$191
Napa	$583
San Luis Obispo	$393
Santa Barbara	$241
Santa Cruz/Monterey	$355
Sonoma	$448
Oregon	$343
Washington	$314
Central States	$183
Eastern States	$185
Virginia	$276
Other	$272
Average	$309

source: Silicon Valley Bank, 2013

Wine Club Memberships

(All high frequency respondents)



(Wine Opinions, 2013)

Australia
11% members
24 months
2-3 clubs

USA
6% members
20 months
2-3 clubs

Canada
±3% members
18 months

(sources: Bruwer, 2014; 2011)

Consumers' daily wine retail experience

Thus - develop <u>individual</u> channel strategies

Coming up

Tasting Room: Awareness the Launching Pad and a Key Metric…

Metrics	Niagara	Okanagan	Australia
Visited the Region prior	66.6%	77.6%	65.4%
Times visited	3.9	5.7	3.3
Multi-day visit to region	49.5%	72.7%	47.0%
Visited the Tasting Room prior	36.4%	38.8%	40.1%
Times visited	1.3	1.8	3.9
First-time visitors	63.6%	61.2%	59.9%

(Bruwer, 2011; 2013; 2014)

Sources of Information (Awareness) Prior to Tasting Room Visit

	Australia	Okanagan
Zero awareness of the winery	21.3%	20.1%
Used winery's website	24.0%	18.8%
Facebook or Twitter	3.9%	0.5%
Word-of-mouth (WOM)	22.6%	25.5%
'Informal' total (WOM + others)	32.4%	30.1%

(Bruwer, 2013; 2014)

Consistency between data internationally……high!

Tasting and Purchasing of Wine at Tasting Room: The 'Funnel Effect' (ON + BC)

Visitors tasting the wines = 88.4% → 3.9 samples

Visitors buying bottled wine to take home = 68.7%

Tasting Fee Justified?

Know Your Costs?

Sell-on Effect?

(Bruwer, 2011)

Having a Multiplier Effect on Post-visit Sales of the Wine Brand

Experience Rate

X%

Penetration Rate

Y%

Conversion Rate

Z%

Tasting Room Metrics:
Measures of a Winery's Brand Strength

- **Experience** level (bought winery's wines <u>prior</u> to visit)
- **Penetration** level (bought winery's wines <u>during</u> visit)
- **Conversion** level (bought winery's wines <u>after</u> visit)

<u>Example</u>:

Tasting Room Surveys, 2011-2014


REALITY

Tasting Room: Business as ‘Usual’ - Some Key Metrics

	USA	Australia	ON + BC
% bought wine at tasting room	42.3%	66.7%	68.7%
Bottles bought	2.48	4.42	2.83
Per bottle price average	$28.59	$23.54	$24.16
Amount spent on wine only	$70.89	$104.05	$68.38
Amount spent on all items	$81.18	$121.07	$79.83

Canada (ON + BC) vs. USA and Australia?

Niagara Peninsula vs. Okanagan?

(sources: Bruwer, 2014; 2013,;2011)

The Tasting Room: Insights Into its Impact for the Brand Post-Visit

	USA	Australia	Canada
NEVER bought brand before	40.9%	39.0%	27.1%
Bought brand AFTER visit	40.3%	40.8%	37.6%
Net GAIN in this group	16.5%	15.9%	10.2%

(sources: Bruwer, 2014; 2011)

Had Enough? ☺

Some Conclusions……….

For Your Direct-to-Consumer (DTC) Model:

- Bottomline: attract more people to the tasting room and know how to optimize it
- Bottomline: unaware consumers converted to future buyers of brand
- Tasting room is the hub…experience platform…awareness of brand
- Tasting room is your frontline with wine consumers…use it wisely
- Tasting room is far more than just a sales outlet….treat it as such
- Wine clubs and online are yet to realize their true potential - NB
- Commitment and well-thought through DTC strategies are a must
- Remember - that DTC is an ongoing (circular) process!
- For far too long ignored - impact of tasting room on onward sales
- MEASURE (RESEARCH) it - then assign financial & human resources!

THANK YOU!

QUESTIONS?