2021 SVB Annual Direct-to-Consumer Wine Report Virtual Event

Tuesday, May 25, 2021
9:00 a.m. – 10:30 a.m. PDT
Featured Speakers

Aileen Sevier
Vice President of Strategy & Marketing
Early Mountain Vineyards

Janine Ullrich
Direct to Consumer Executive Vice President
The Family Coppola

Paul Mabray
CEO
Pix

Rob McMillan
EVP & Founder
Silicon Valley Bank Wine Division
Percentage of Wineries that are Walk-In or By-Appointment

*2020 Pushed the By-Appointment Model to the Forefront*

Source: Pix & Silicon Valley Bank
Trended Composition of DtC Sales

Club and Digital Sales Moving up in Importance

Source: Pix & Silicon Valley Bank
2021 Channel Breakout of Direct Sales for the Average Winery

With tasting rooms restricted during the year, events and tasting room sales were hurt. Restaurant closings also hurt on-premise sales while grocery, for those with wholesale, did well. Club, phone and several new outreach efforts did well in 2020 while internet sales exploded higher. Each offers marginal growth opportunities in the future for wineries investing in those sales channels.
Virtual Tastings Took Flight in 2020

Zoom tastings became synonymous with digital tastings in 2020. Along with enhanced revenue and connection, about 20% of new club members came from digital.

The industry responded to S.I.P. orders with 44% hosting digital tastings once a week or more, and only 22% not taking the leap.

Getting a read on tasting fees for virtual tastings was clouded as there were a variety of offering types, with wine or food included or not, but still a consideration in tasting fee pricing strategy.
What digital platforms do you employ?

- Social Media: 90.7%
- Active E-commerce: 79.3%
- Platform Analytics (Google Analytics): 37.8%
- Online Marketing Tools: 34.6%
- Digital marketer In-house or outside Consultant: 33.7%
- Other: 16.0%
- Data Analyst: 15.4%
- SMS messaging (Text): 8.7%

**Examples of Other Resources (16%):**
- Email marketing campaigns
- Video streaming
- Digital audio (Over The Top)

**Online Marketing Tools include:**
- SEM, retargeting, SEO, driving sales to web, banner ads, etc.

*Respondents selected all applicable options.*
Club Memberships Generated through Digital Mediums by Case Production

As tasting rooms fully closed at times in 2020 due to COVID, owners worried about the sustainability of club income without the ability to refresh member numbers, which before 2020 was always an activity associated with the tasting room.

The industry discovered how to gain memberships via digital means with 20% of new members reported as coming through digital paths.

Moving forward, tracking and driving growth in club memberships outside of the tasting room should be a goal of all wineries with clubs.
Virtual Tastings - Pricing and Discount Structure

Examples of Other Structures (10%):
- Charged for wine and shipping only
- Prices varied by selection of wine made by customers
- Minimum ticket price which could be used towards wine

As wineries offered varied options with Zoom tastings including charging for wine up front (38%), the question should be asked, what of the digital strategies could we employ to broaden our on-site tasting room offerings. Perhaps we should consider charging for wine up front too?

Source: S&P Capital IQ and SVB analysis.
Planned Digital Marketing Investments for 2021*

- Increase Marketing Budget: 52.2%
- Upgrade Systems: 42.0%
- Engage Outside Consulting Firm: 28.7%
- Hire Employees dedicated to Digital Marketing: 24.8%
- Other: 20.7%

Examples of Other Responses (21%):
- Focus more time on digital, continue learning and research
- More personal outreach by owners
- No additional Marketing investments
- No changes planned

*Respondents selected all applicable options.
Use of Email Marketing

When we asked the question about size a decade ago, the average email list was less than 5k names. Today that has ballooned to more than 15k with an average email contact to case production ratio of 1.8:1. How do you benchmark against that. Do you have 1.8 good contacts for every case you produce?

The hygiene of lists is improving but 22% of respondents report they never clean their contact lists, which can be a drag on success and potentially in conflict with recent privacy statutes.

![Size of Email List](image)

![Do you remove inactive emails from your email list annually or more often?](image)

![Frequency of Outreach](image)
Average Email Marketing Open and Click Rates

- Open Rate: 37%
- Click Rate: 14%
Annual Spend on Social Media & Search Engine Marketing
(As a Percent of Total Sales)

Spend by Case Production

Spend by Suggested Retail Bottle Price

While 80% - 90% of the industry report active social and ecommerce programs, the spend in digital marketing averages between 1% - 1.5% of sales. Larger wineries with lower priced wines spend slightly more than smaller counterparts.
### Trend of By Appointment and Walk In by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Walk In 2019</th>
<th>Walk In 2021</th>
<th>By Appointment 2019</th>
<th>By Appointment 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>59.2%</td>
<td>53.6%</td>
<td>10.7%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>76.2%</td>
<td>41.2%</td>
<td>20.6%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Oregon</td>
<td>71.8%</td>
<td>26.2%</td>
<td>36.1%</td>
<td>36.1%</td>
</tr>
<tr>
<td>Sonoma County</td>
<td>44.0%</td>
<td>16.7%</td>
<td>47.2%</td>
<td>47.2%</td>
</tr>
<tr>
<td>Paso Robles</td>
<td>66.7%</td>
<td>5.9%</td>
<td>52.9%</td>
<td>52.9%</td>
</tr>
<tr>
<td>Napa County</td>
<td>15.8%</td>
<td>9.5%</td>
<td>64.8%</td>
<td>64.8%</td>
</tr>
</tbody>
</table>

Regional health mandates varied and the timing of establishing and relaxing restrictions, and that continues to evolve.

Sonoma and Napa were the only regions using by-appointment to any significant degree in 2019. By 2021, all regions increased the percentage of customers they were seeing with appointments.

Many wineries who were forced to switch from a walk-in model, have commented to us that they will retain the practice going forward.

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**Note:** 2019 and 2021 refers to the year the survey took place. The actual results were for the periods ending in 2018 and 2020 respectively.
Average Monthly Visitors to the Winery by Region

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Washington</td>
<td>656</td>
<td>1,369</td>
<td>1,099</td>
<td>587</td>
<td>331</td>
</tr>
<tr>
<td>Napa County</td>
<td>484</td>
<td>1,497</td>
<td>1,039</td>
<td>705</td>
<td>484</td>
</tr>
<tr>
<td>Sonoma County</td>
<td>523</td>
<td>1,004</td>
<td>712</td>
<td>588</td>
<td>523</td>
</tr>
<tr>
<td>Oregon</td>
<td>1,169</td>
<td>1,027</td>
<td>1,136</td>
<td>1,112</td>
<td>1,112</td>
</tr>
<tr>
<td>Average</td>
<td>1,619</td>
<td>1,272</td>
<td>1,110</td>
<td>1,402</td>
<td>1,402</td>
</tr>
<tr>
<td>Paso Robles</td>
<td>774</td>
<td>784</td>
<td>1,124</td>
<td>781</td>
<td>880</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>880</td>
<td>784</td>
<td>1,124</td>
<td>781</td>
<td>880</td>
</tr>
</tbody>
</table>

COVID restrictions made for significant reductions in tasting room visitation in all regions with the exception of Santa Barbara which showed a small increase.
While smaller wineries lost out on much of the growth from on-premise sales in 2020, they were able to adapt and move sales through club and internet, though discounting was used widely. That shows in the data when the change in cases sold, exceeds the change in sales by dollars.

*Excludes wineries <5 yrs. Experience*
Wine Club Growth and Attrition Rates

**Growth Rate in New Wine Club Members**

- Average: 21.8%
- Napa County: 18.6%
- Oregon: 22.0%
- Paso Robles: 25.4%
- Rest of California: 22.0%
- Rest of US: 27.4%
- Santa Barbara: 18.9%
- Sonoma County: 18.0%
- Washington: 20.0%

**Attrition of Wine Club Members**

- Average: 17.5%
- Napa County: 16.0%
- Oregon: 16.5%
- Paso Robles: 17.6%
- Rest of California: 17.7%
- Rest of US: 14.7%
- Santa Barbara: 18.6%
- Sonoma County: 17.9%
- Washington: 11.8%

*New Wine Club Member Growth Rate = New wine club members acquired in 2020, divided by starting number of wine club members in 2020.*

**Attrition Rate = Number of wine club members lost during 2020, divided by Number of wine club members at the beginning of 2020**

Excludes wineries <5 years experience.

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It’s useful to look at the growth in new club members, along with attrition rather than net growth. It’s far more profitable to grow by 5% and lose 5% for a net zero, than grow 20% and lose 20%.

In the COVID period, it’s probably surprising to see growth of any kind given club growth has historically been tied to the tasting room.
# Average Wine Club Size by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>328</td>
<td>305</td>
</tr>
<tr>
<td>Napa County</td>
<td>502</td>
<td>450</td>
</tr>
<tr>
<td>Oregon</td>
<td>196</td>
<td>229</td>
</tr>
<tr>
<td>Paso Robles</td>
<td>482</td>
<td>408</td>
</tr>
<tr>
<td>Rest of California</td>
<td>499</td>
<td>226</td>
</tr>
<tr>
<td>Rest of US</td>
<td>180</td>
<td>150</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>228</td>
<td>296</td>
</tr>
<tr>
<td>Sonoma County</td>
<td>399</td>
<td>355</td>
</tr>
<tr>
<td>Washington</td>
<td>135</td>
<td>120</td>
</tr>
</tbody>
</table>

Note: 2019 and 2021 refers to the year the survey took place. The actual results were for the periods ending in 2018 and 2020 respectively.
The critical benchmarks for clubs are the membership length and average annual purchase. The product of those two metrics is the Lifetime Value of a Customer.

Small increases in annual purchases and keeping a customer a little longer in the club are the mechanics for greater success.

Predictive analytics though, understanding when a customer is likely to tip out and developing strategies to counter that is the secret to improved performance.
Tasting Fee by Region

Standard Tasting Fee

- Rest of US: $15
- Washington: $15
- Rest of California: $15
- Santa Barbara: $21
- Oregon: $24
- Paso Robles: $24
- Average: $25
- Sonoma County: $30
- Napa County: $58

Reserve Tasting Fee

- Rest of US: $26
- Washington: $20
- Rest of California: $26
- Santa Barbara: $40
- Oregon: $42
- Paso Robles: $35
- Average: $41
- Sonoma County: $50
- Napa County: $90
Annual Change in Net Wine Club Member Growth Rate*

While club sales in general were successful during the COVID period, member attrition was a normal part of life, particularly in spring shipments when owners were trying to collect their bearings. Net membership ended the year higher, but with a lower growth rate versus prior years.

Growth in club memberships skewed to the second half of the year as tastings rooms reopened and the industry got creative with digital club signups.

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<th>2019</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sonoma County</td>
<td>14%</td>
<td>10%</td>
<td>13%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>Santa Barbara</td>
<td>12%</td>
<td>7%</td>
<td>15%</td>
<td>23%</td>
<td>2%</td>
</tr>
<tr>
<td>Rest of California</td>
<td>18%</td>
<td>11%</td>
<td>11%</td>
<td>12%</td>
<td>5%</td>
</tr>
<tr>
<td>Napa County</td>
<td>18%</td>
<td>22%</td>
<td>13%</td>
<td>17%</td>
<td>6%</td>
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</tr>
<tr>
<td>Rest of US</td>
<td>13%</td>
<td>15%</td>
<td>26%</td>
<td>19%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Net Wine Club Growth Rate = New club members acquired in 2018, less lost club members in 2020, divided by base membership level at the beginning of 2020.

*Excludes Wineries <5 years old
Tasting Room Locations by Region

- **Paso Robles**: 88% Winery/Vineyard, 6% Urban Area, 6% Both
- **Napa County**: 83% Winery/Vineyard, 14% Urban Area, 3% Both
- **Oregon**: 74% Winery/Vineyard, 18% Urban Area, 8% Both
- **Sonoma County**: 74% Winery/Vineyard, 21% Urban Area, 6% Both
- **Rest of California**: 60% Winery/Vineyard, 28% Urban Area, 10% Both
- **Rest of US**: 76% Winery/Vineyard, 15% Urban Area, 9% Both
- **Washington**: 50% Winery/Vineyard, 29% Urban Area, 21% Both
- **Santa Barbara**: 41% Winery/Vineyard, 32% Urban Area, 26% Both
Conversion Rate to Club by Visitation Model

- Open to the Public: 5.10%
- Both: 5.70%
- Appointment Only: 9.20%
Winery DTC Vendor Flywheel

www.WineryDTC.com

Full article can be found at: https://pmabray.medium.com/the-2021-dtc-vendor-flywheel-43810dcf5475
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