

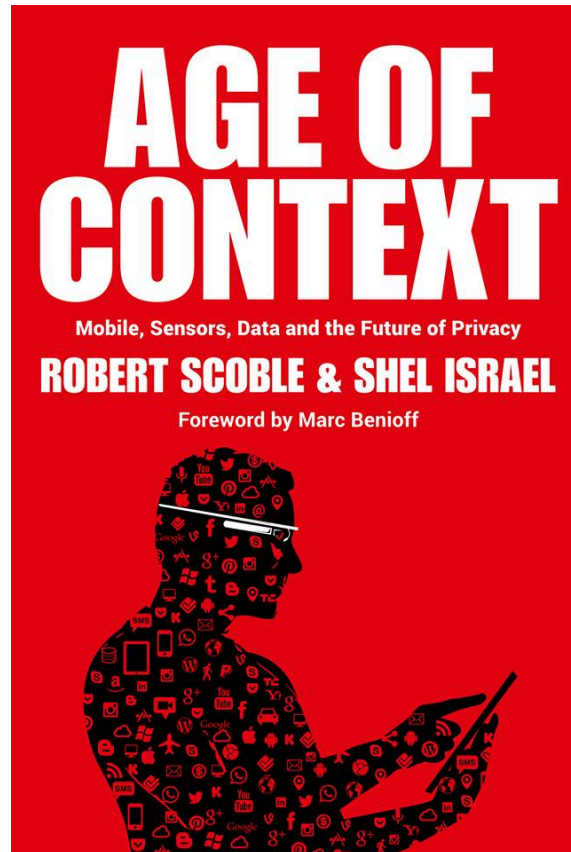
The world is changing



- Listen to Mary Meeker
 - <http://allthingsd.com/20130529/mary-meekers-2013-internet-trends-deck-the-full-video/>



The Modern Business



In Summary

- The internet is no longer an abstraction but a reality with real world ramifications (positive and negative) for every business
- We live in an always on society especially due to smart phones
- Service is the fourth pillar to marketing
- E-commerce is an acceptable and expected sales channel
- We are more connected than ever before in history due to social media



For example

“An extra half-star on Yelp reduces reservation availability by approximately 19 percentage points.”

- The Economic Journal, 5 October 2011*



* See appendix



“Content will be the future of advertising, people distributing and creating content for your brand will be the barometer of your advertising success.”

Barry Schuler –
former CEO AOL/Time Warner/CEO Meteor Vineyards





This is the most competitive market for wine in human history



The Modern Wine World

- Over 200K products approved by the TTB meaning the consumer has infinite choices for wine (even in visiting the Napa Valley with over 500 wineries)
- DTC regulations are becoming easier
- Channel access through traditional means is becoming more challenging
- Sales and marketing technologies are finally, despite all friction, catching up to the rest of the world
- Thanks to social media customers, for the first time in history, are self identifying when they are not buying directly from the winery
- GenX and Boomers drive the majority of wines sales over \$20 and will do so for another 5-10 years



Let's start with the facts

- Over 7500 wineries exist in the US
 - Less than 50 have a dedicated e-commerce resource (often managing more than one brand)
 - Less than 30 have a dedicated social media resource
 - Only four have a digital resource with the title of Director or VP



Salary Levels for DTC do not inspire

Wine Club Manager

	Average Salary	Median Salary
• Case Production		
• Under 50,000	\$51,854	\$50,000
• 50,000 to 99,999	\$64,623	\$58,000
• 100,000 to 499,999	\$66,580	\$63,000
• Over 500,000	\$57,706	\$56,800

Tasting Room Manager

	Average Salary	Median Salary
• Case Production		
• Under 50,000	\$60,404	\$55,620
• 50,000 to 99,999	\$57,025	\$56,705
• 100,000 to 499,999	\$58,013	\$58,000
• Over 500,000	\$59,660	\$57,708

Tasting Room Staff

	Average Salary	Median Salary
• Case Production		
• Under 50,000	\$30,284	\$29,120
• 50,000 to 99,999	\$28,142	\$28,020
• 100,000 to 499,999	\$31,476	\$31,200
• Over 500,000	\$32,624	\$31,200

Source WBM



DTC revenue generators:

- Earn less or equivalent to Office Managers who earn an average annual salary of \$59,645
- Earn almost ½ of a Major Account Manager at the equivalent winery size despite driving almost two to five times the EBITDA

Case Production
100,000 to 499,999

Average Salary
\$118,375

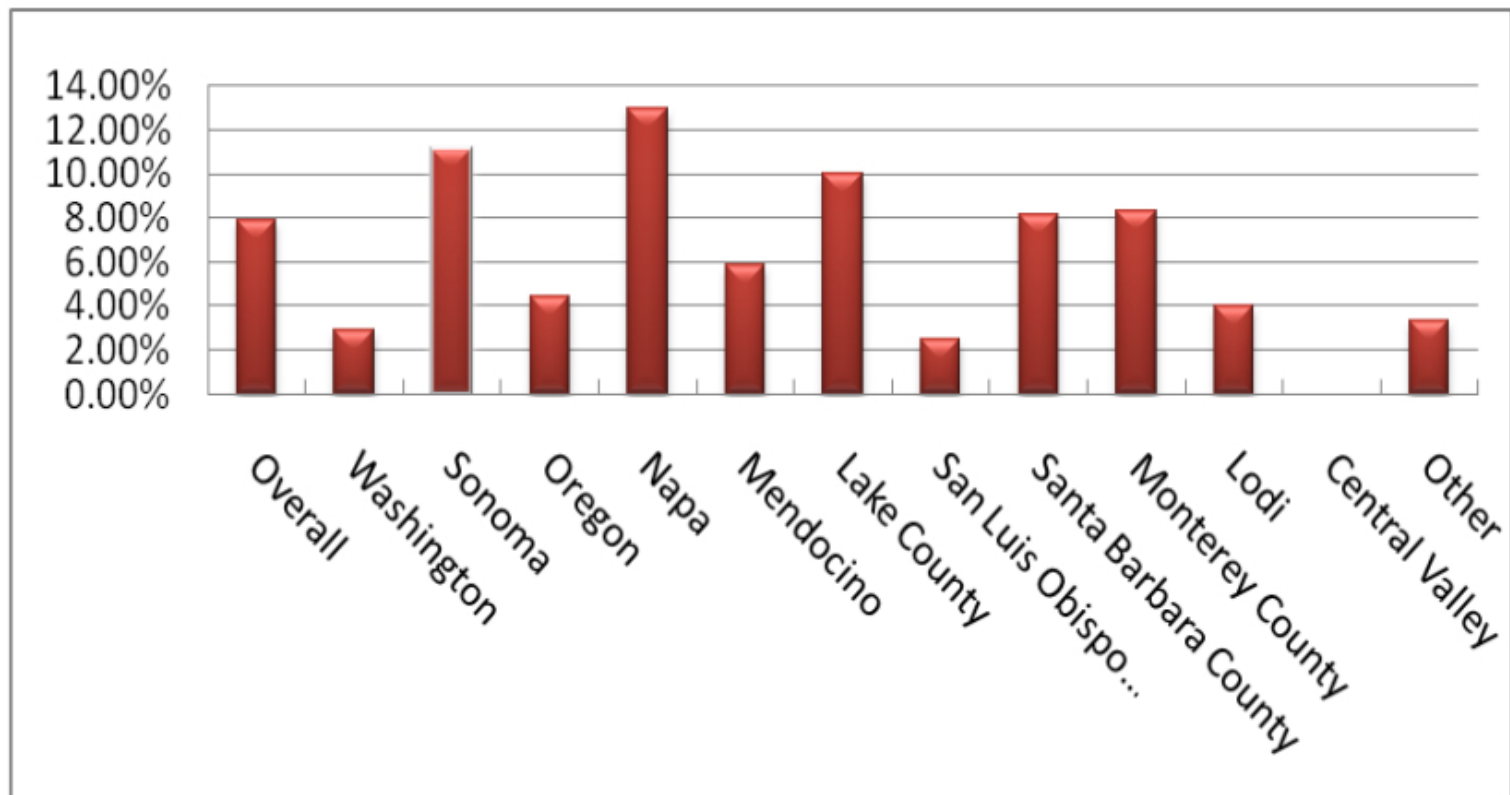
Median Salary
\$108,000

Source WBM



How can we be customer centric when . . .

Use a CRM and Track Buying Patterns and Demographics



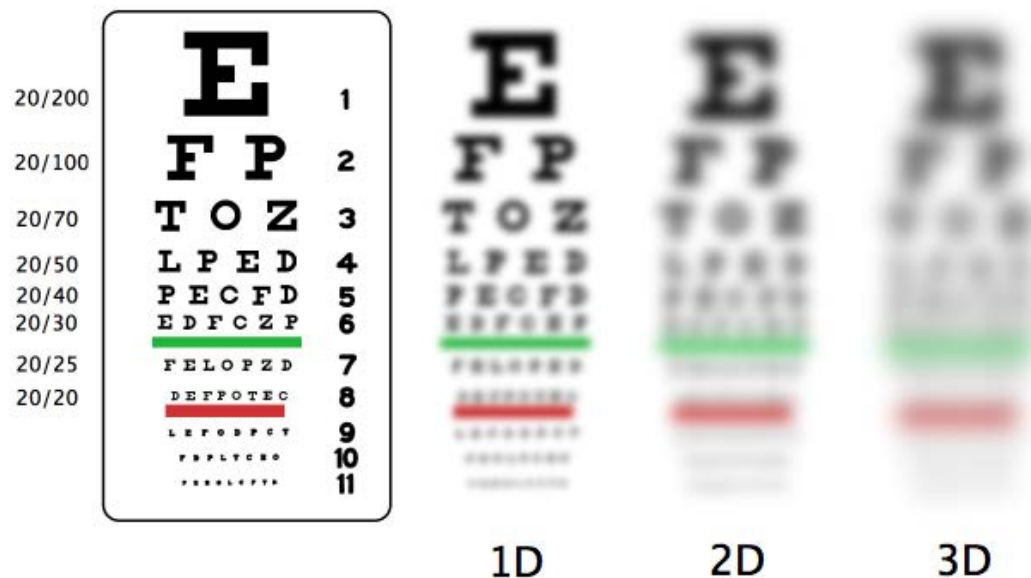
We have 4.9 Million Visitors in Napa

- 500 social media geo-signals every 1.5 hours
- Emitting 2500 social media signals in Napa every 1.5 hours
- Average cart price in Napa, 2-20 customers acquired through any digital means (social media, advertising, etc) into the tasting room would generate \$90K-\$900K annually.



DTC Myopia

- The primary focus of DTC is the tasting room and hospitality
- As such it is constrained by quantity of consumers that visit that winery



The Will is Strong but . . .

Modernizing



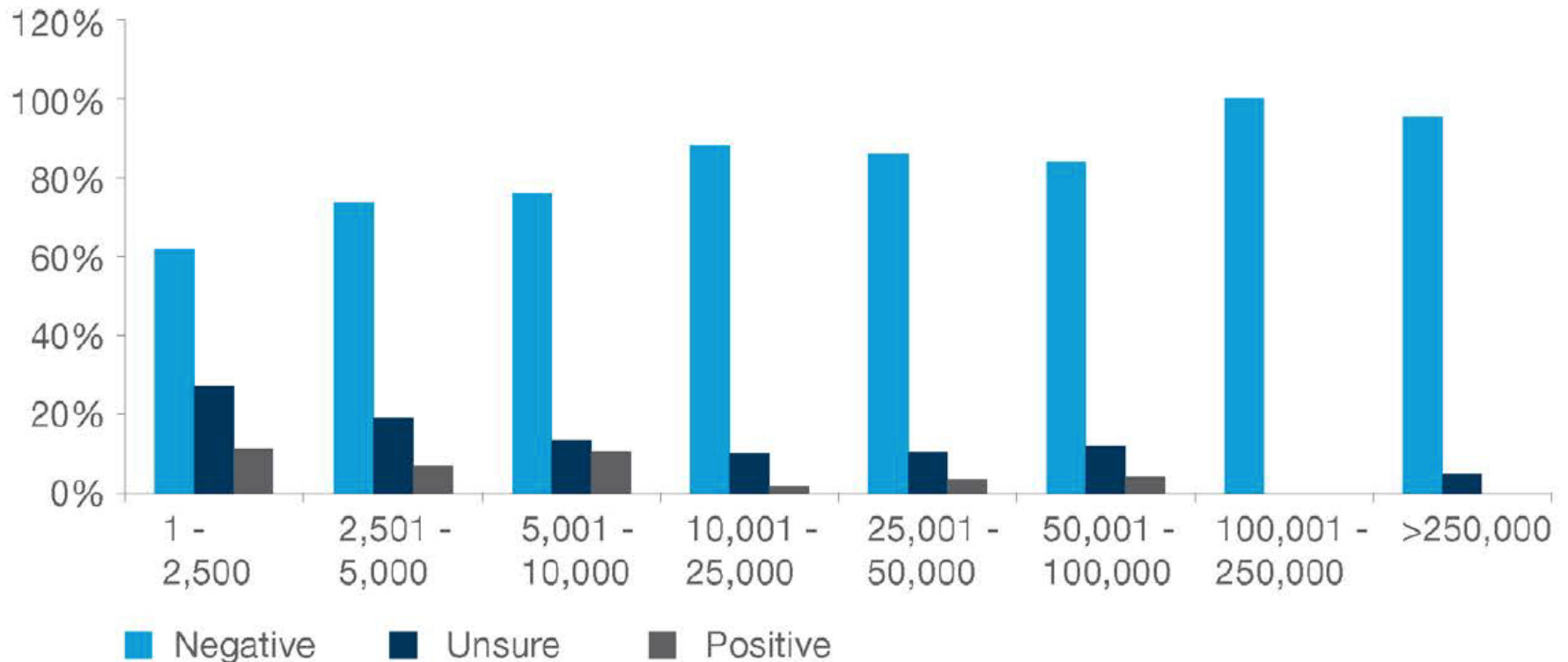
58[%]

**SOCIAL
MEDIA**
IS "USEFUL"
TO
"EXTREMELY
BENEFICIAL".*



But . . .

Perceptions of Social Media by Production Level



Source: Silicon Valley Bank Proprietary Research



Social Media Signal Everywhere

- There are over 1.5 million organic conversations about wine every day.
- There are 2x the amount of interactions for wineries per day.
- Every winery gets approximately an average of 2-20 mentions every week across all social media channels. That = 2-20 new potential customers.
- Over 80% of those mentions go unanswered.
- **Over 16 million consumers have mentioned wine on social media (growing at an average rate of 450K NEW customers per month).**



Customer Relationships are changing



1

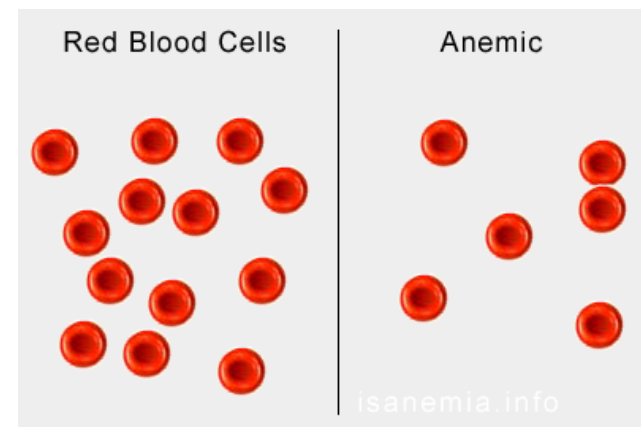


Follow



Social Media Reality

- The mean for winery Twitter activity is 1.02 tweets per day with a standard deviation of 2
- The mean for winery Twitter followers over two weeks is 2.28 with a standard deviation of 21.76
- The mean for winery Facebook fans over two weeks is 17.9 with a standard deviation of 210.75.
 - Snapshot for August 3rd, 2013

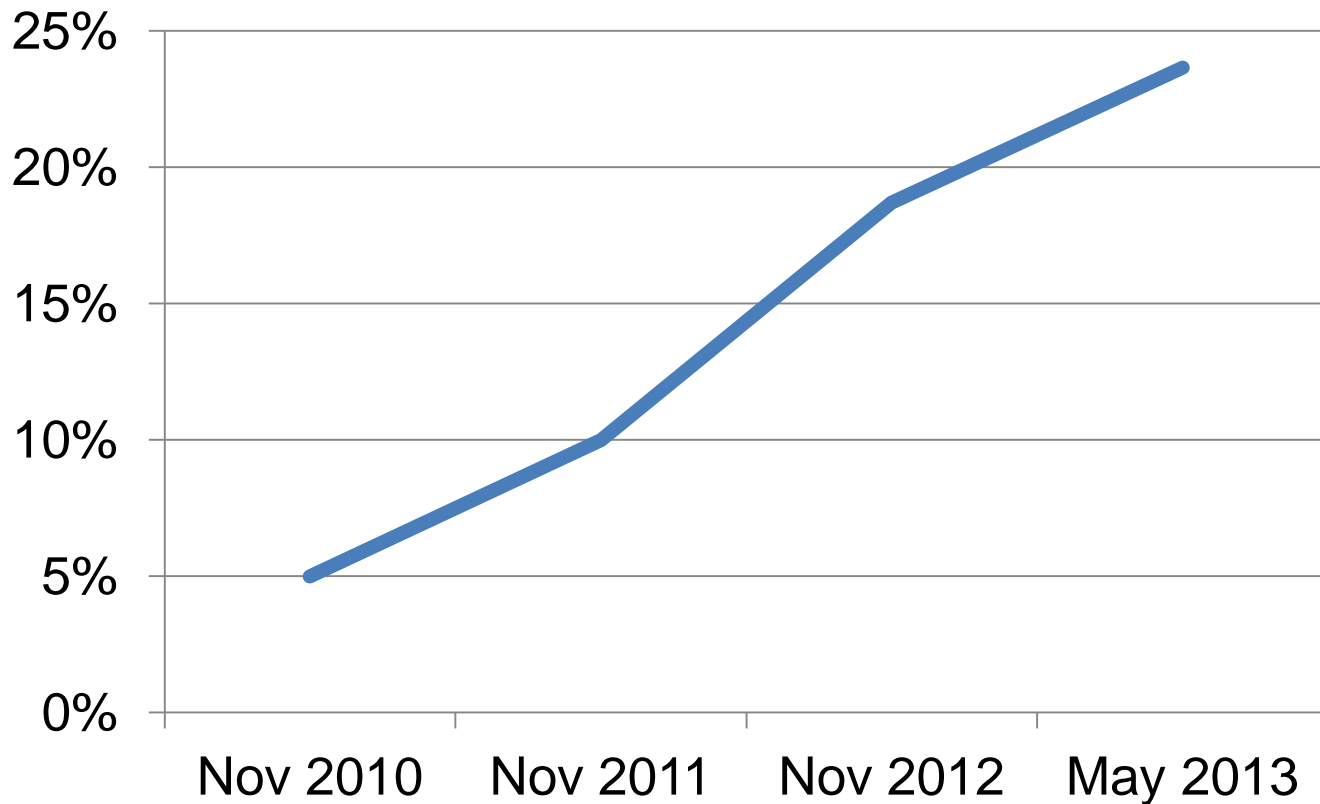


E-commerce

- E-commerce is the fastest growing sales channel in the wine industry
- E-commerce has the highest EBIDTA return of any channel except club
- E-commerce has access to the largest pool of consumers of any channel
- Less than 40% of US wineries have a professional website supported by the top three winery e-commerce providers.
- Less than 20% of those wineries are mobile enabled.



Mobile winery web-site traffic is growing at a staggering rate



Source Vin65



The Will is Strong but . . .

- According to the 2013 SVB report over 59% of wineries indicate that DTC, Tasting Room, Wine Club and e-commerce represent top ten opportunities for the year.

Direct to
Consumer



37%

WINERIES SAY DTC
IS THEIR LARGEST
OPPORTUNITY IN 2013*





It's not just about production or distribution

- It's about channel shift
- It's about investing in channels and technology that help a small business scale
- It's about increasing the talent pool of important DTC and digital professionals
- It's about shifting from hospitality mindset to a customer centric culture in and away from the winery



VinTank

- Paul Mabray
- CEO
- paul@vintank.com
- 707.320.8891
- @pmabray



- There is always ROI in talking to your customers –
<http://www.vintank.com/2013/06/there-is-always-roi-in-talking-to-your-customers/>
- <http://www.slideshare.net/AndreBastos3/internet-trends-mary-meeker>
- <http://www.slideshare.net/andrewkamphuis1/vin65-final-baby-for-realz-this-time>
- <http://are.berkeley.edu/~jmagruder/Anderson%20and%20Magruder.pdf>
- <http://www.winesandvines.com/pdf/2012Direct-to-Consumer-Shipping-Report.pdf>
- <http://www.winebusiness.com/wbm/?go=downloadIssue&issueId=5686&cid=0>