

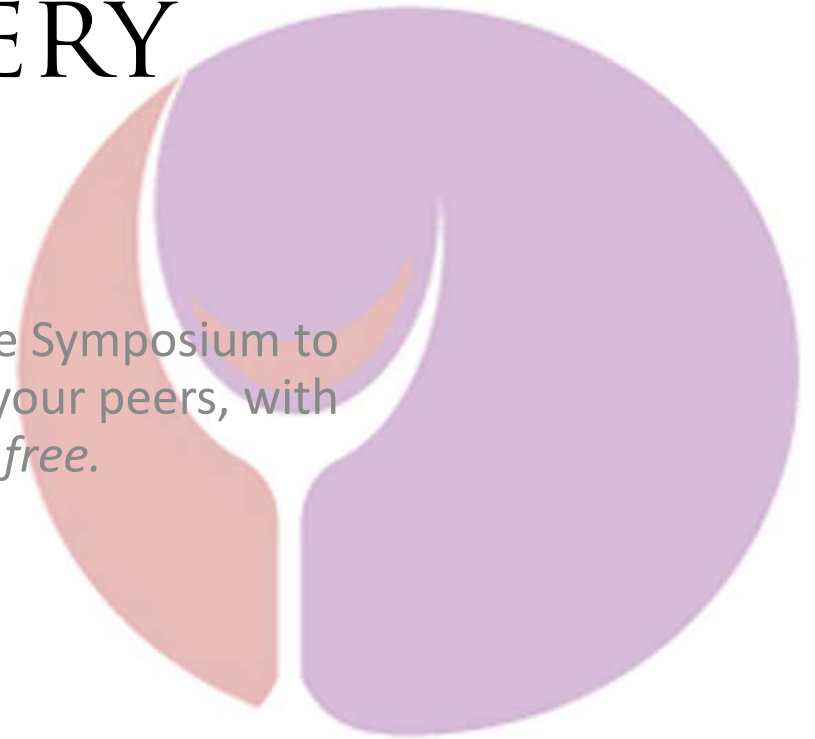
2013



DIRECT TO CONSUMER
WINE SYMPOSIUM

THE DTC WINERY CHECK UP

An ongoing research project of the DTC Wine Symposium to compare your winery's DTC metrics against your peers, with complete confidentiality. *And it's free.*



Bennett Valley Group, our research partner, the leader in wine customer insight

In addition to providing wine industry benchmarking services, we provide voice of the customer / customer loyalty surveys for the wine industry

- Wine club, Ex-wine club, Newsletter subscribers, E-Commerce customers

Find out why you are in the bottom 25% of the benchmark. What are your customers saying about their experiences? Where is your customer experience weak compared to your competition and why?



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Career Goals

May I suggest these?

- Become indispensable
- Become an industry asset
- Become an acknowledged expert and industry leader
- Gain the role as trusted advisor in your organization

How can I do this?

- Become a wine industry *business management* expert

And how do I do that?

- Be an advocate for running your business off of metrics
- Learn what levers you can pull to improve your metrics



Why a Wine Industry Benchmark?

Benchmarking should be part of your Business Model

How do we know if we are doing well?

Benchmark against *your* performance:

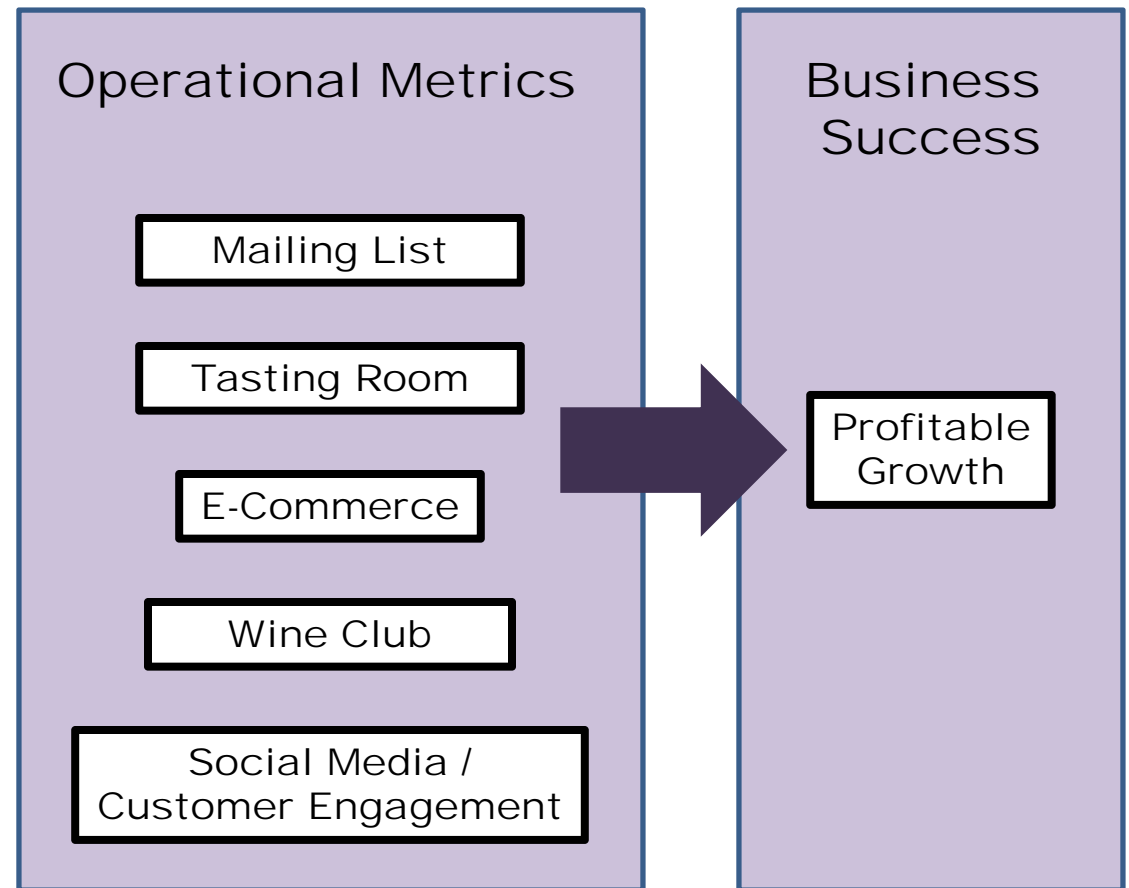
- Compare month-to-month, quarter-to-quarter, year over year

Benchmark against industry performance

- Compare to an industry benchmark

Benchmarking promotes your career success

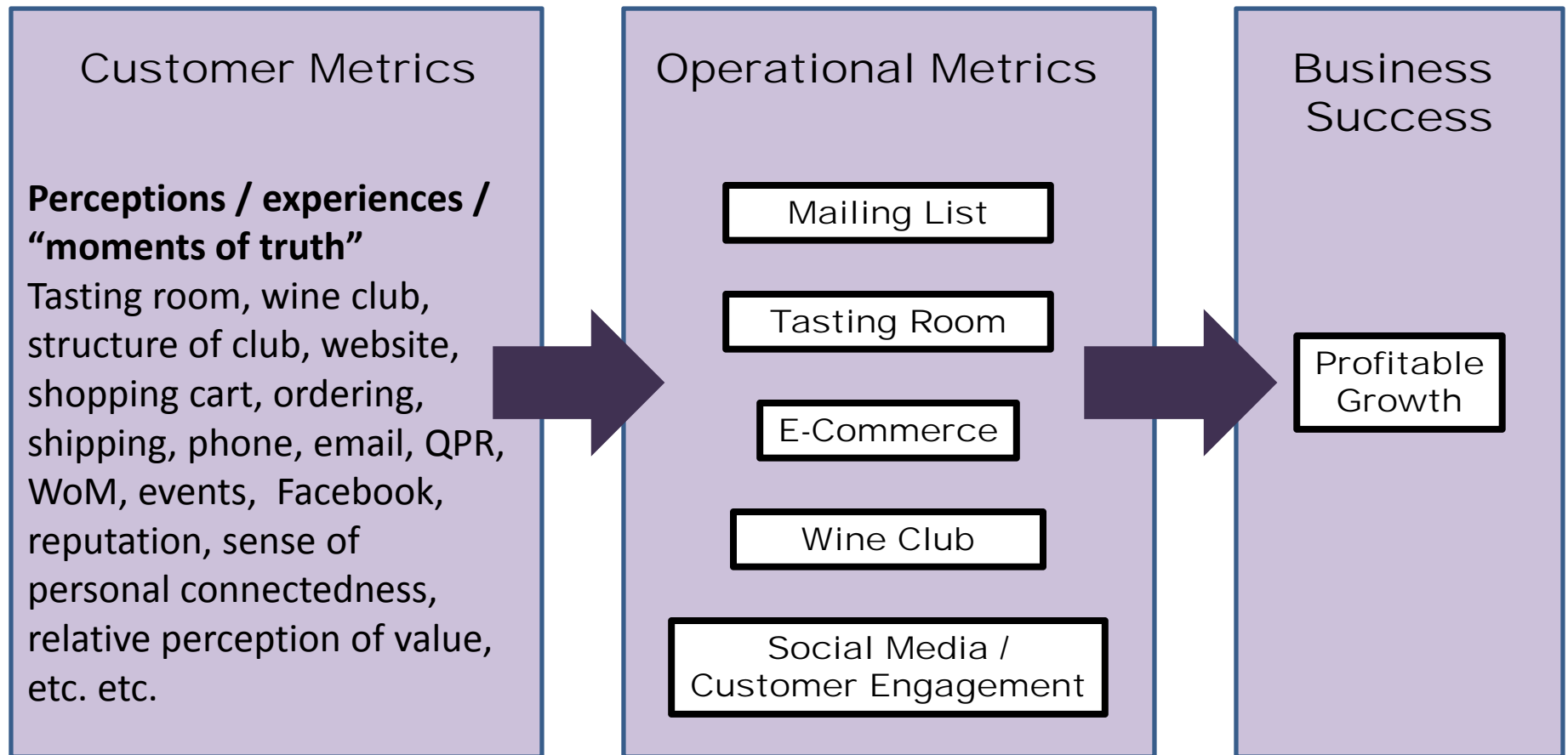
- *“I improved our metrics by...putting us in the top 25% of wineries”*



Are you tracking these?

Winery Management System

Future: focused on customer metrics



What about these?

Are you tracking these?

2013 DTC Wine Symposium Check Up Overview

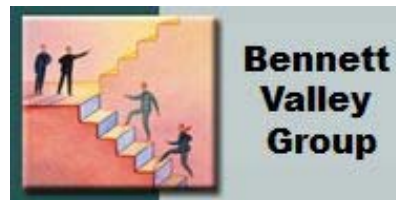
More than forty metrics in these areas:

- Tasting Room, Wine Club, Ecommerce, Customer Engagement / Social Media

Participation: >80 California wineries from A to Z

- **Counties:** Napa, Sonoma, Monterey, Paso Robles, San Luis Obispo, Santa Barbara, Santa Clara
- **Type:** Appointment / Open / Appointment & Open / Neither
- **Cases:** <500 to >500,000
- **Visitors/month:** 100 to >15,000
- **Club size:** <100 to >10,000

Frequency: Quarterly



2013 DTC Wine Symposium Check Up

Box Plots

What is a Box Plot?

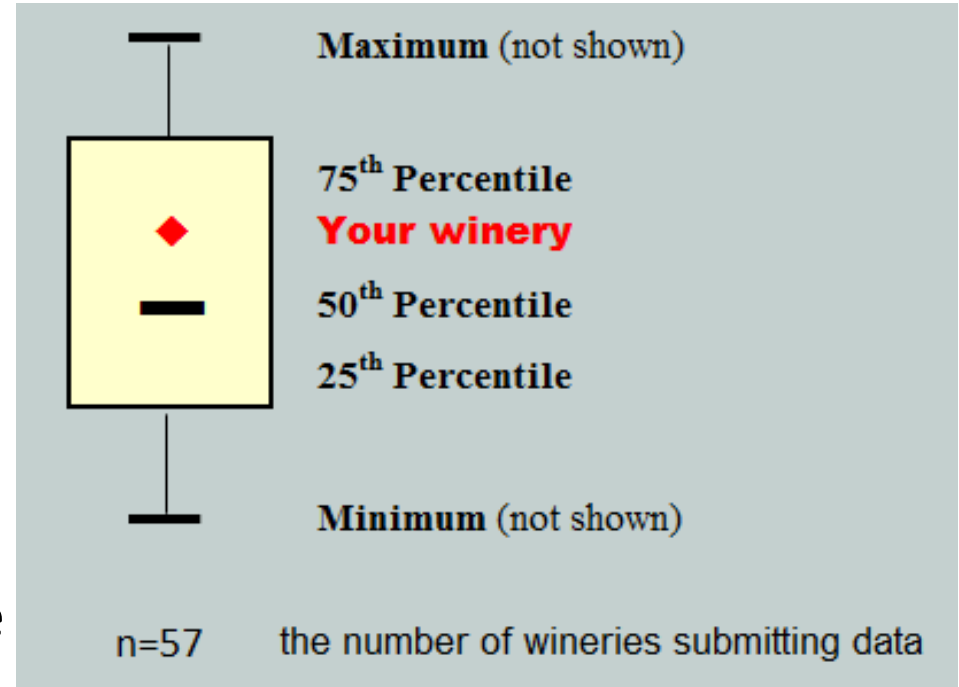
The box itself contains the middle 50% of the data.

The upper edge of the box is the 75th percentile of the data set.

The lower edge of the box is the 25th percentile.

The line in the box represents the median (50th percentile) of the data.

The ends of the vertical lines or "whiskers" are the minimum and maximum data values.



I am unique. Your benchmarks don't apply to me

“I am a <mountain winery> in <Napa county> specializing in <Pinot Noir>. There are at most 6-10 competitors. We can only compare ourselves against these competitors. So the only applicable benchmark would be composed of these, and only these, competitors.”

Note: this is a producer-centric view of the competitive set.

What do your customers say?



Actually these benchmarks do apply to you

The customer-centric viewpoint:

The typical wine club member belongs to 4-5 wine clubs.

Their favorite other wine club, other than you, are 80-100 other wineries from A-Z in other appellations/geographies specializing in other varietals at other price points.

This is a customer-experience economy. You are competing on far, far more than the attributes of your product itself.



Still not convinced this applies to you?

These benchmarks do not change (in a statistically significant or managerially significant way) regardless of your annual case production, monthly visitation or club size or anything else we collected metrics on.

Minor exceptions:

Visitor conversion to purchase and club rates change slightly for very small or very large visitation.

Merchandise as a Percent of Total Sales changes slightly for very large visitation

The following size metrics vary (but size metrics are not benchmarks to compare against)

Visitation / paid tastes impacts Club size and Email size

Club size impacts Tenure, Email size, and # of Twitter followers

(very small: <750/m; very large >5,000/m)



FINDINGS



Tasting Room Metrics

Conversion to Club %

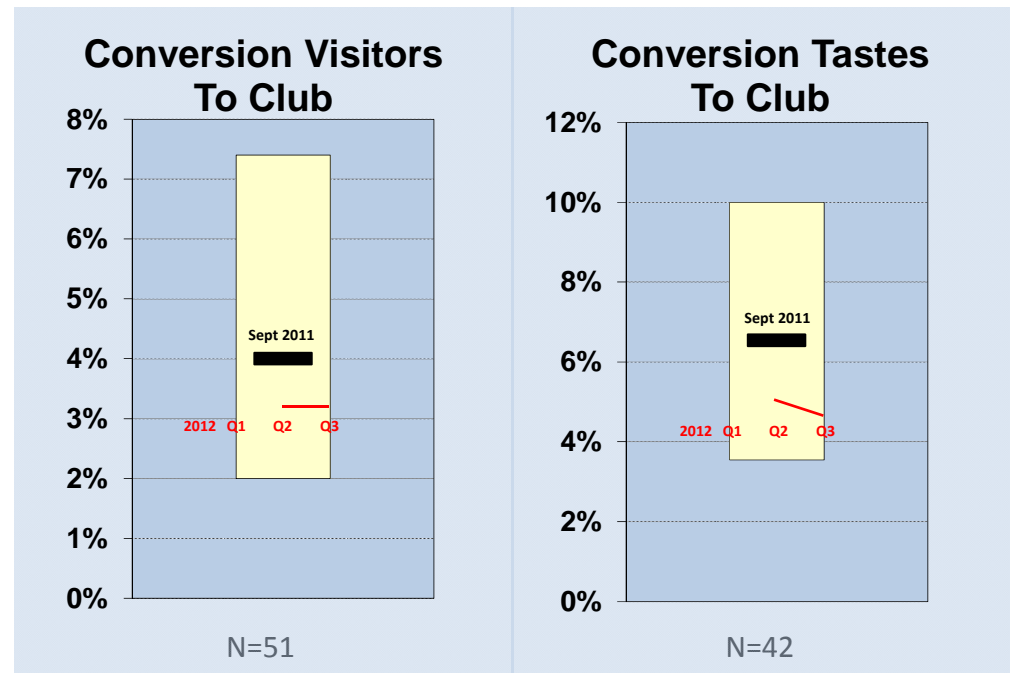
Club signup rate by total visitors or by paid tastes

Percentage (removing trade and wine club tasting) converting

Most important metric

Typically 85% of wine club membership acquisition comes from the tasting room (are you tracking this?)

Allows us to see how our performance compares to the rest of the industry in building and enhancing a longer term customer relationship



Above yellow box: top 25% of wineries

Below yellow box: bottom 25% of wineries



Tasting Room Metrics

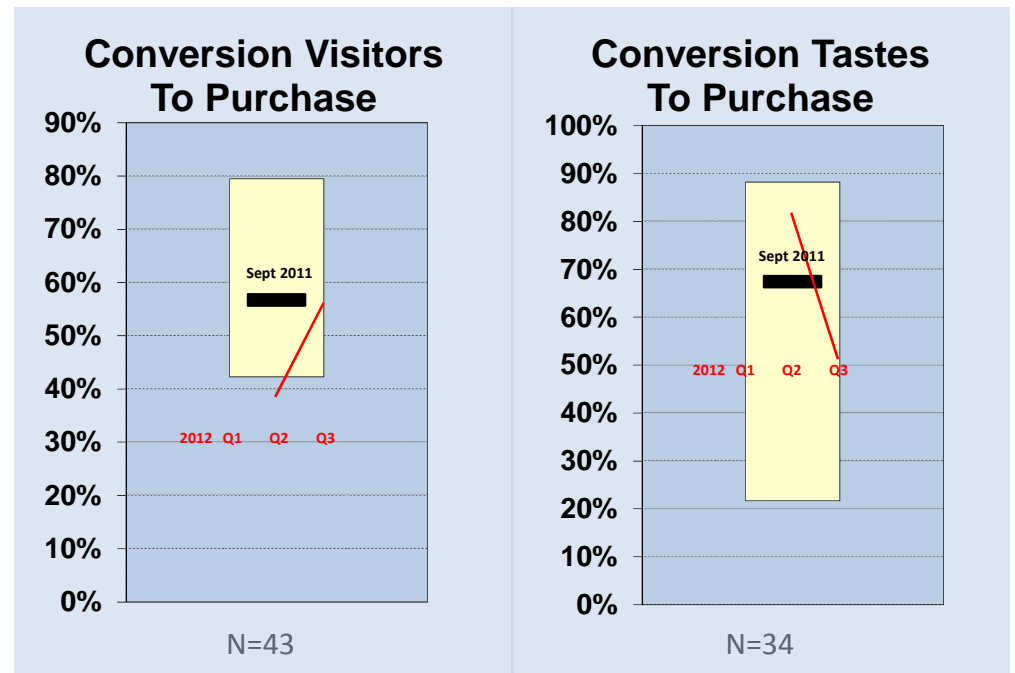
Conversion to Purchasers %

Purchase rate by total visitors or by paid tastes

wine & merchandise transactions / total # visitors or paid tastes

Important metric

Is our tasting room experience so compelling that it drives purchases?



Above yellow box: top 25% of wineries

Below yellow box: bottom 25% of wineries



Tasting Room Metrics

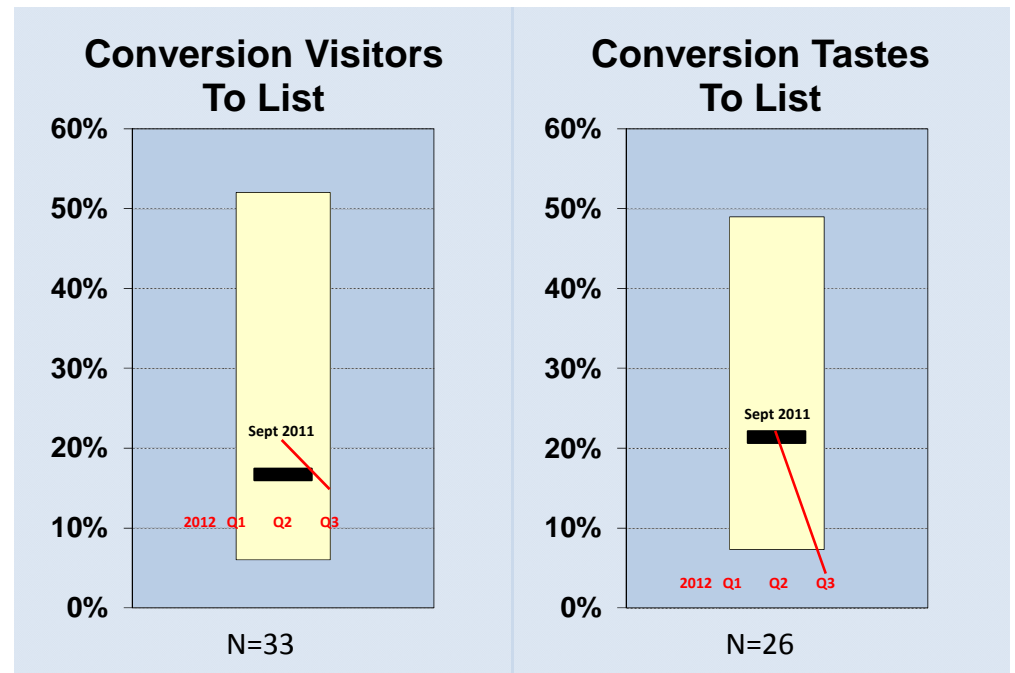
Conversion to Mailing List %

Signup rate by total visitors or by paid tastes

new mailing list members / total # visitors or paid tastes

Important metric

Can we at least create enough interest in signing up for our mailing list?



Above yellow box: top 25% of wineries

Below yellow box: bottom 25% of wineries



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Tasting Room Metrics

Total Sales Growth Rate %

This month compared to this month last year: sales growth for all sales (wine, merchandise and shipping costs)

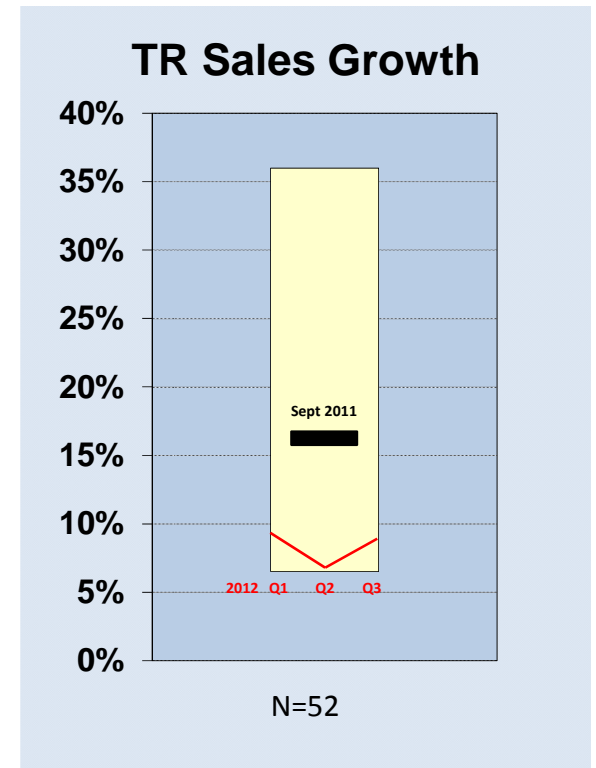
What is important is how you grew compared to the industry.

If you are growing faster than the industry, you are taking sales away from the competition.

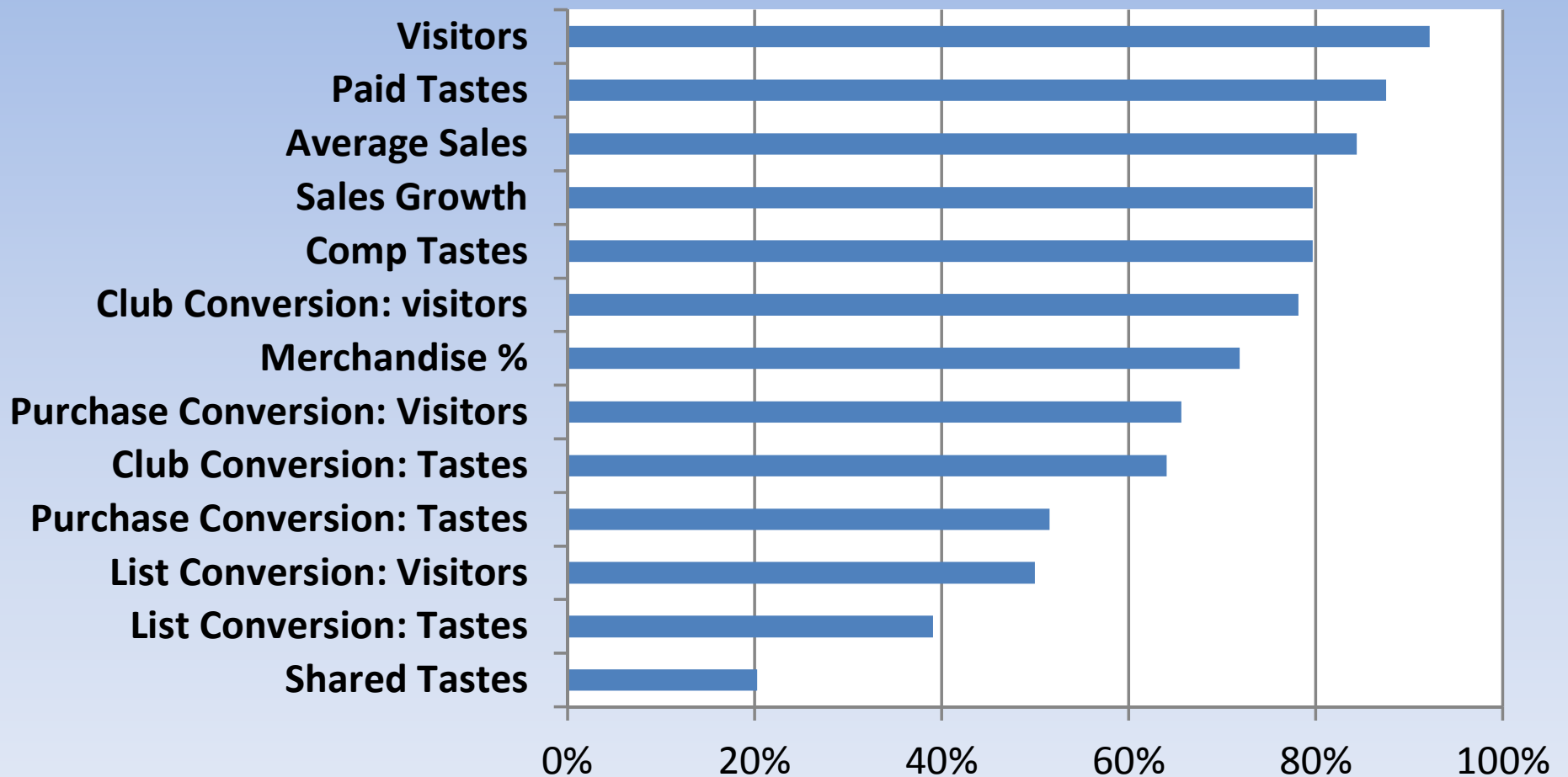
The industry rebounded with a high growth rate last year. How did you do?

Levers:

- Visitors, conversion to purchase, average sale



Reporting/Usage of Tasting Room Metrics



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Tasting Room

What can you do to improve your metrics?

Overall Tasting Room experience is composed of these points of interaction, based on the needs of your visitor:

Staff friendliness

Staff knowledge about wines

Fun

Tasting Room ambience & décor

Ease of finding the Tasting Room

Taste of the wines



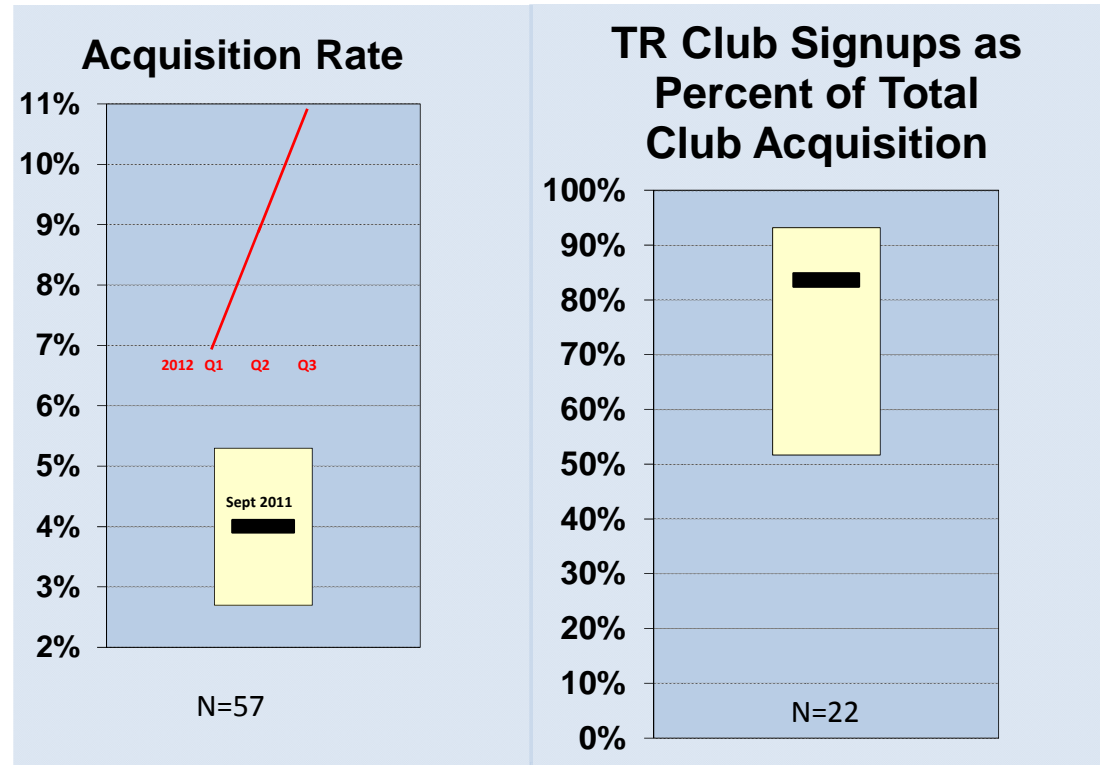
Wine Club Metrics

Membership Acquisition Rate

new members during month / total at beg of month

Important metric

If your tasting room club signups are more than 85% of total club acquisition, you may be underemphasizing other channels of acquisition



Wine Club Metrics

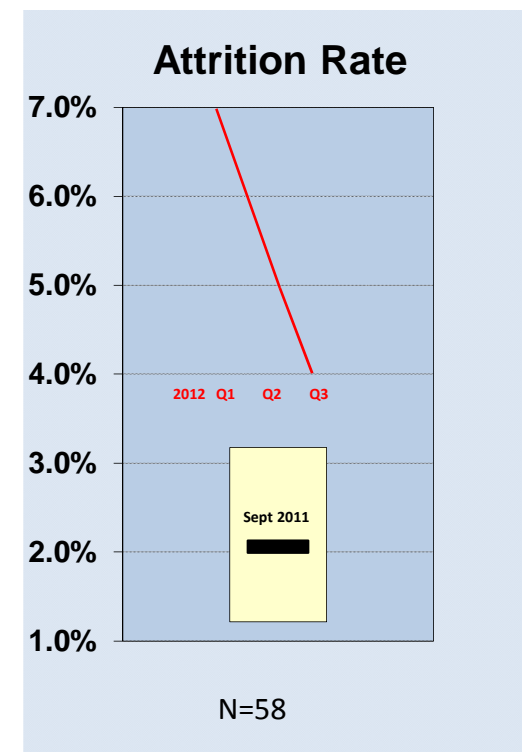
Membership Attrition Rate

cancelations during month / total at beg of month

Important metric: direct measure of loyalty / customer experience

Levers:

- Perception of value
- Club structure / pricing
- Miss-selling upon acquisition
- Thank you at appropriate time
- Customer exhaustion
- Retention / loyalty programs
- Proactively identifying & fixing customer experience problems

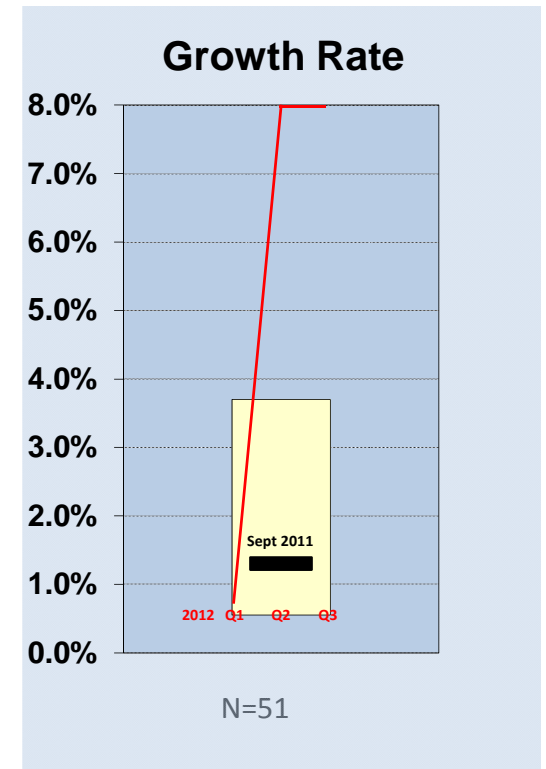


Wine Club Metrics

Membership Net Growth or Loss Rate (Year over year)

What is important is how you grew compared to the industry.

If you are growing faster than the industry, you are taking sales away from the competition.



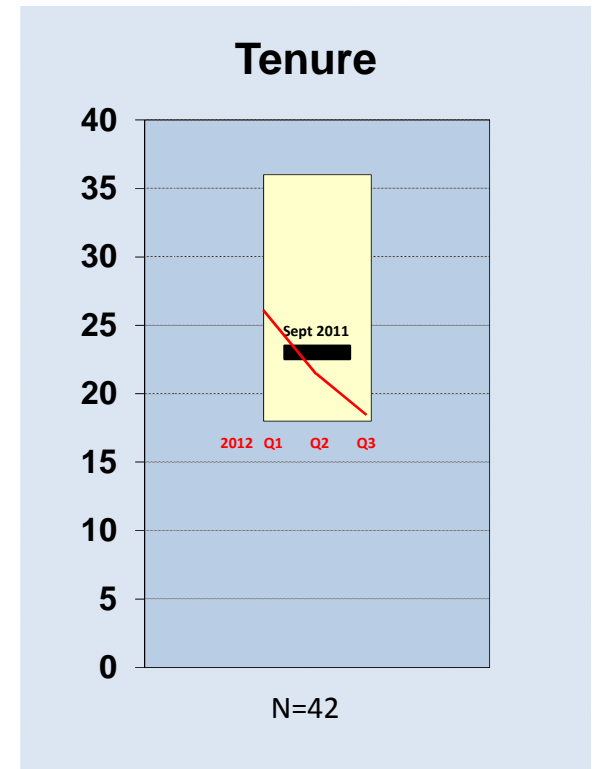
Wine Club Metrics

Membership Average Tenure

Most important club metric – most direct measure of loyalty

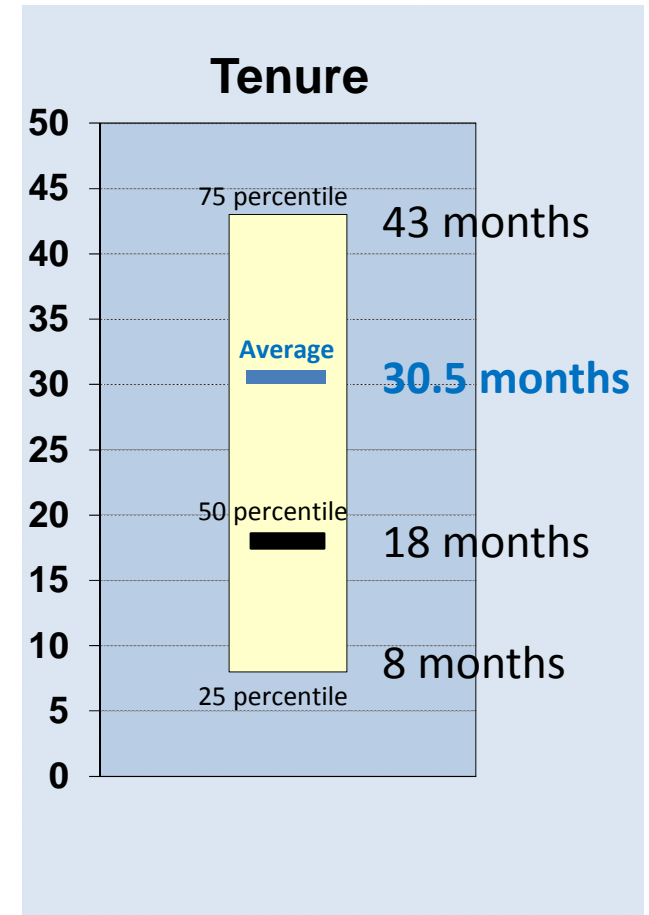
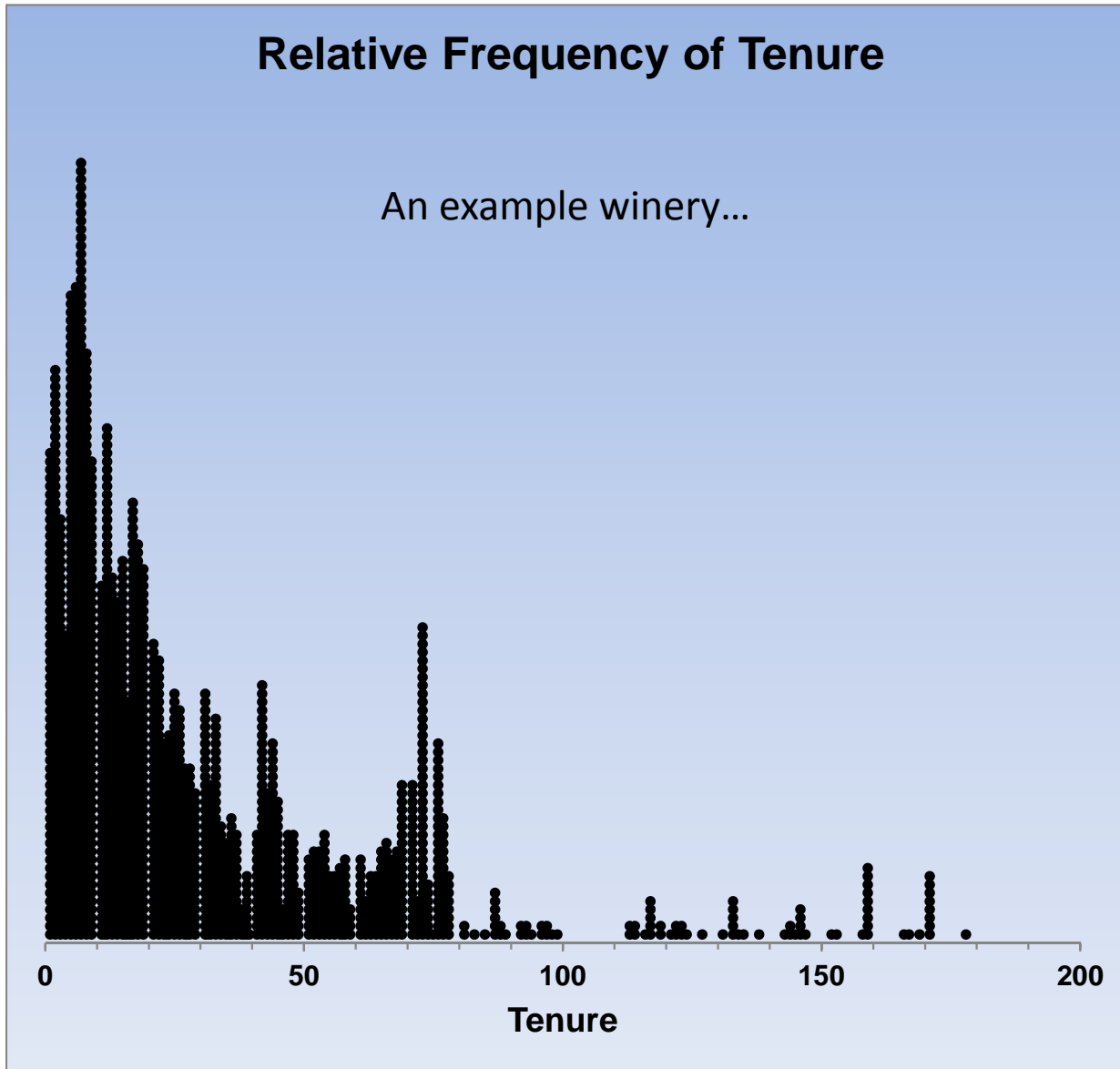
Levers:

- Overall perception of value relative to experiences with the competition and competitive offerings. Influenced by variety seeking behaviors.

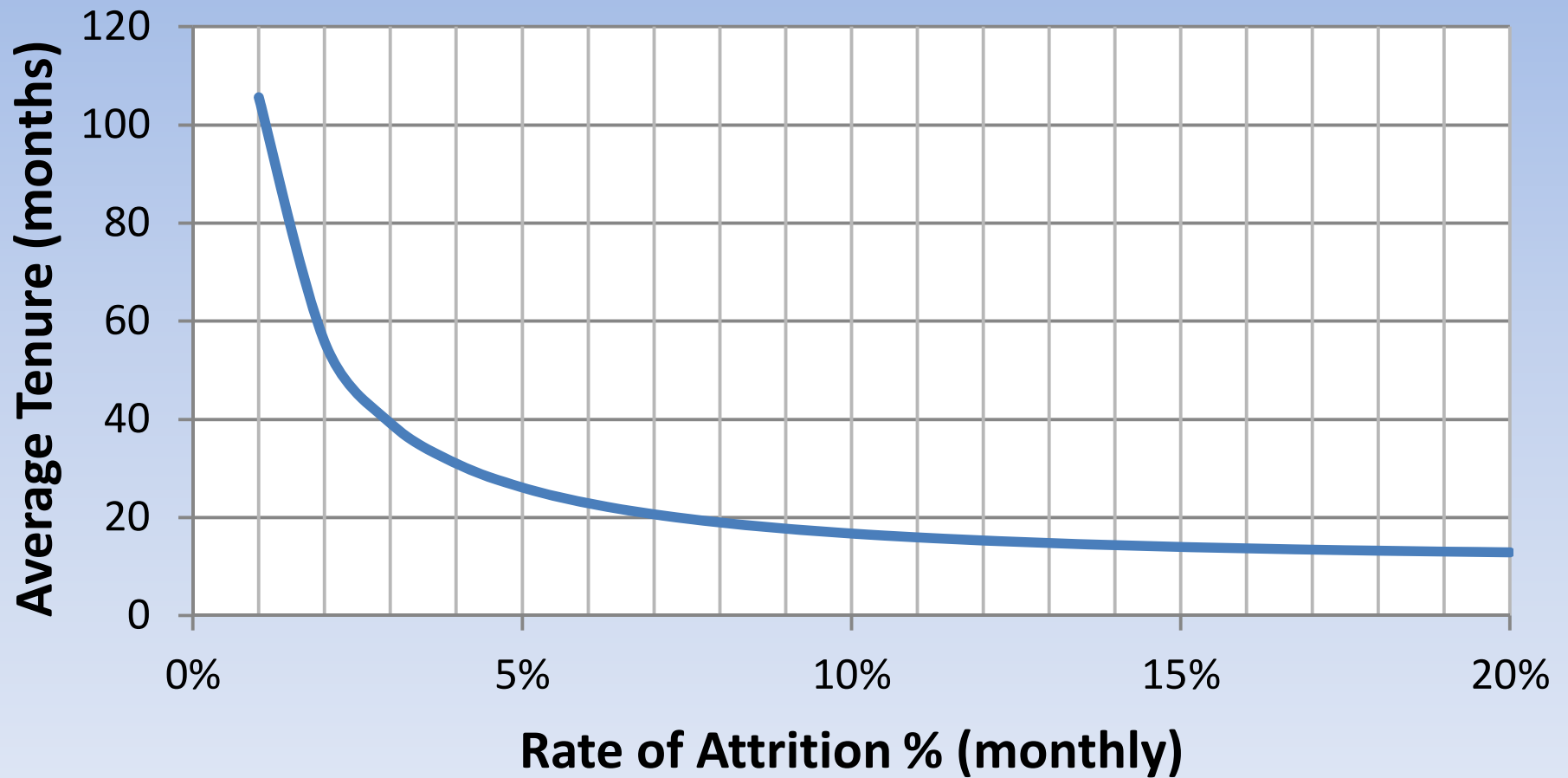


Wine Club Metrics

Average Tenure can mislead



Impact of a 1% reduction in attrition



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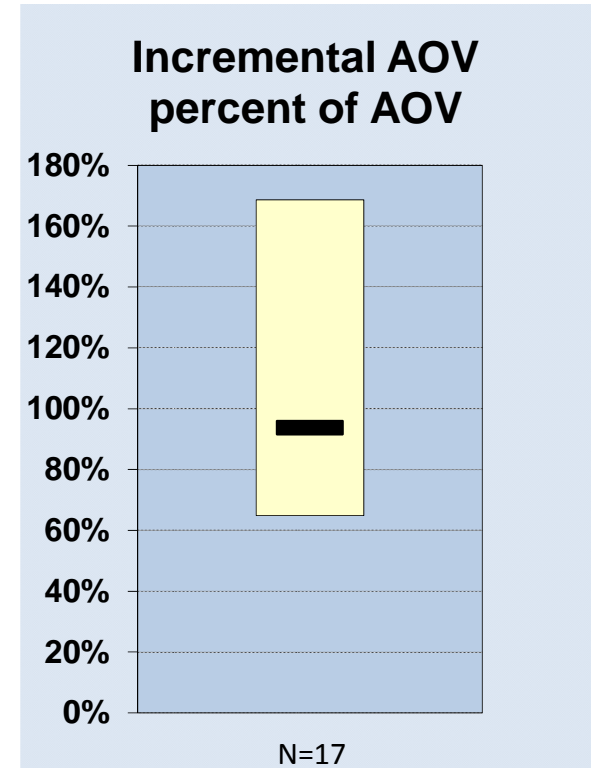
Wine Club Metrics

Incremental Average Sales %

Re-orders above & beyond club shipments

Measures enthusiasm / loyalty for your wine

More interesting is percentage of incremental AOV, but sample size is too small for this to be a reliable benchmark for comparison.



Wine Club Metrics

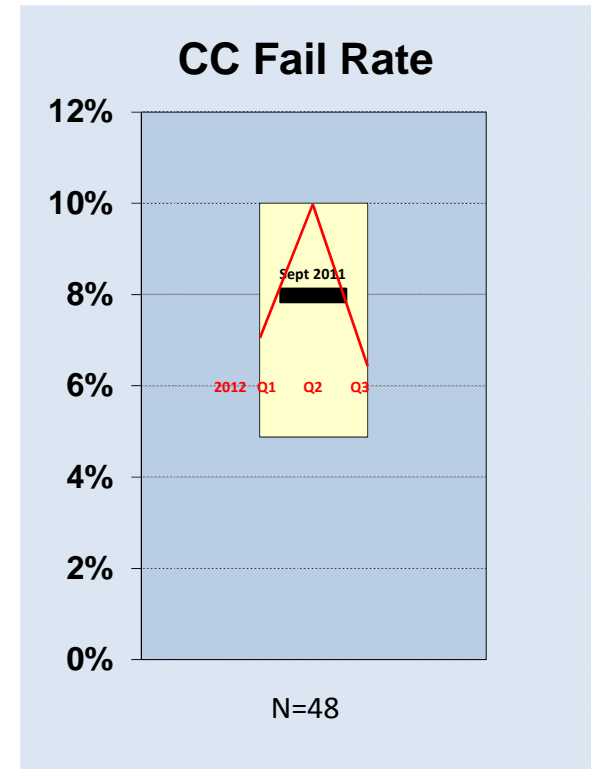
Credit Card Failure Rate

$(\# \text{ of declined cards} + \text{ number of expired cards}) / \# \text{ of shipments}$

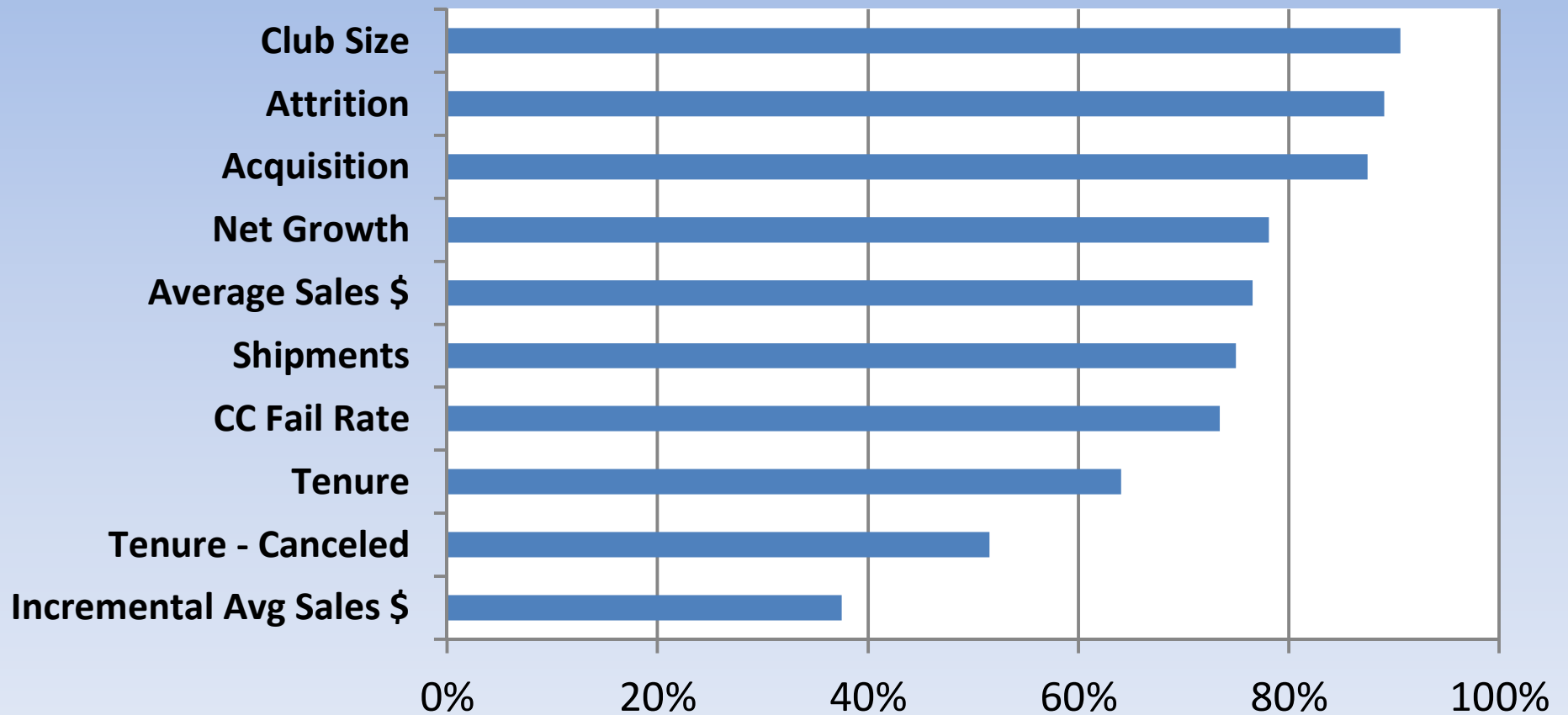
Depends on club membership / data
hygiene practices

Levers are good membership practices:

- Pre-failure process:
 - Email / phone call before expiry
- Post-failure process: “three strikes and you’re out”
 - Email / Letter / Phone call



Reporting/Usage of Wine Club Metrics



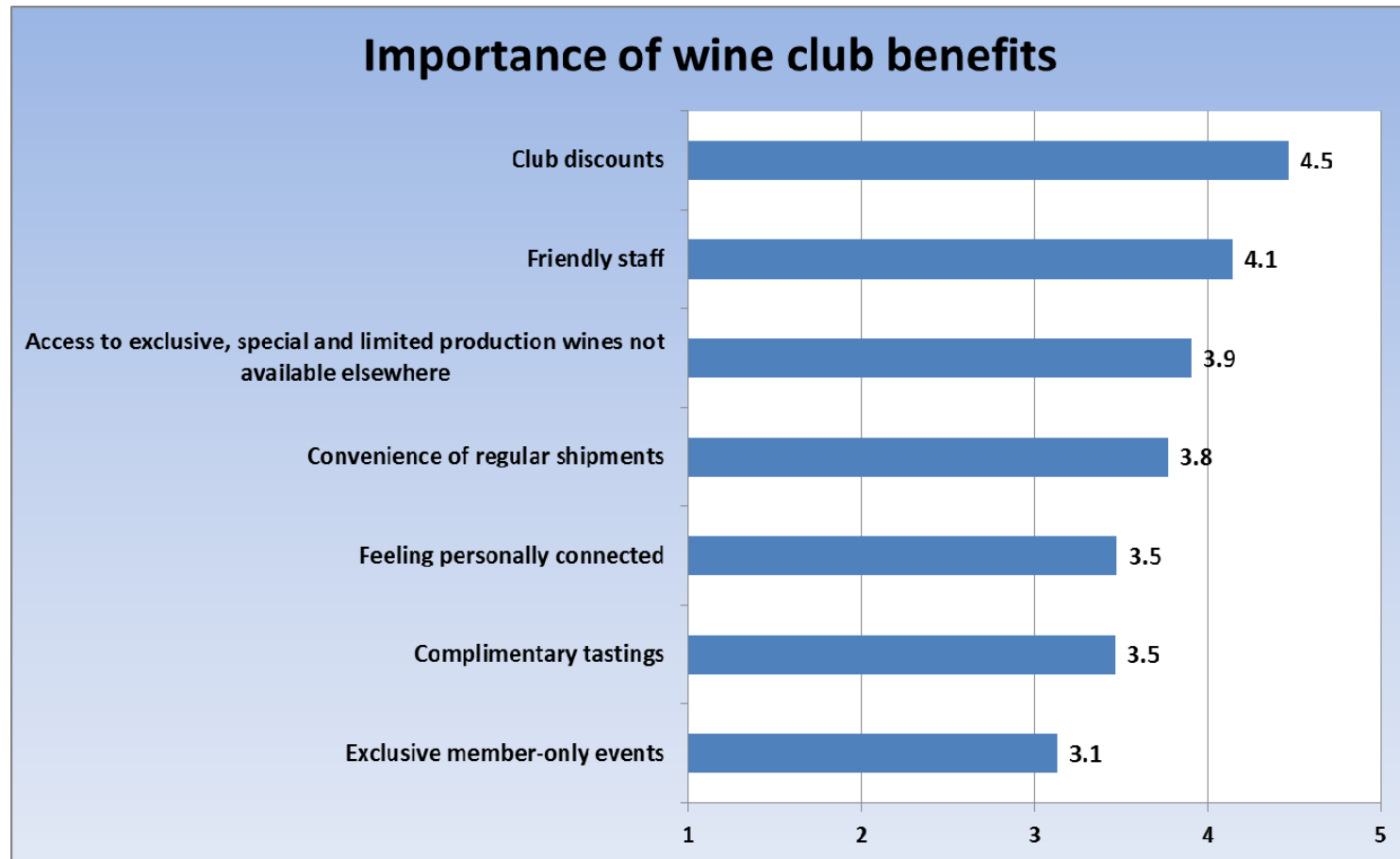
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Wine Club

What is important to members?

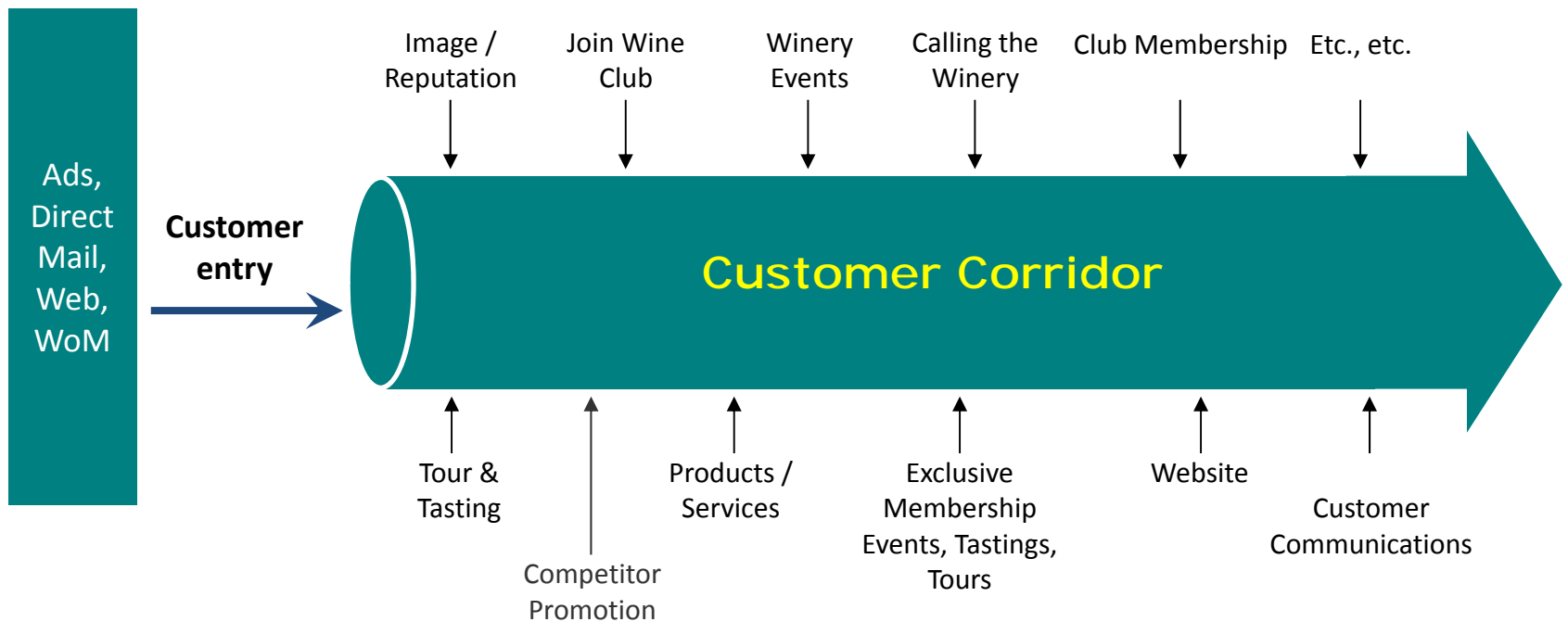
Here is what they say “top of mind”:



But what they say they want is only the tip of the iceberg...

All customer touch points drive loyalty to your brand

The customer corridor encompasses the entire customer experience capturing data at every touch point with a view to integrated data



*Your customers' 360 degree view of your Winery
Not your organizational silos' view*



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Wine Club

What can you do to improve your metrics?

Joining your wine club is an endorsement of your overall brand reputation

Reputation for delivering consistently superior quality wines

Reputation for unique and exclusive wines

Overall quality relative to price (quality price ratio)



Wine Club

What can you do to improve your metrics?

Joining your wine club is an endorsement of your customer experience touch points

Overall taste of the wines

Sense of personal connectedness

Tasting Room experience

Staff friendliness

Ordering experience

Shipping and delivery experience

Email communications (e.g. notices, order acknowledgement, shipment tracking info, etc.)

Newsletter

Wine Club events

Etc.



Wine Club

What can you do to improve your metrics?

Joining your wine club is an endorsement of your customer experience touch points

Overall taste of the wines

Sense of personal connectedness

Tasting Room experience

Staff friendliness

Ordering experience

Shipping and delivery experience

Email communications (e.g. notices, order acknowledgement, shipment tracking info, etc.)

Newsletter

Wine Club events

Etc.

How many of you measure these?

On a regular basis?



E-Commerce Metrics

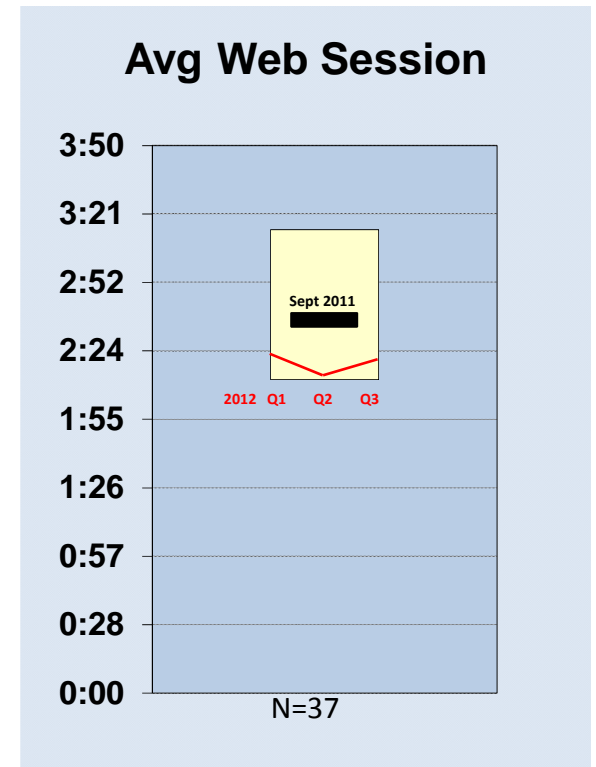
Average Website Session

Format - minutes: seconds

A measure of website engagement

Levers:

- Effective use of copy
- Creative and engaging website
- Embedded video
- Ease of finding desired information



E-Commerce Metrics

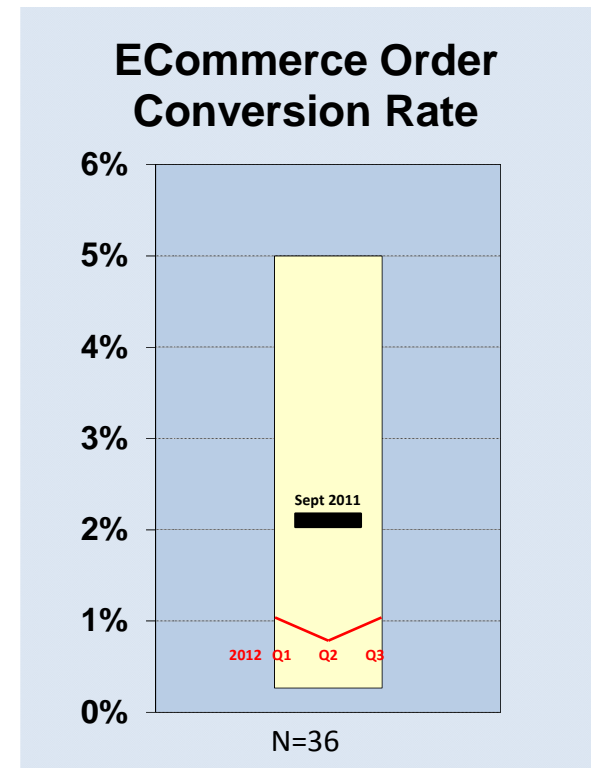
Order Conversion Rate

Percentage of unique visitors resulting in an web order
 $\frac{\# \text{ of unique web transactions}}{\# \text{ of unique visitors}}$

A measure of website engagement

Levers:

- Ease of finding desired information
- Effectiveness of path to purchase
- Ease of transaction
- Call to action
- Shopping cart experience

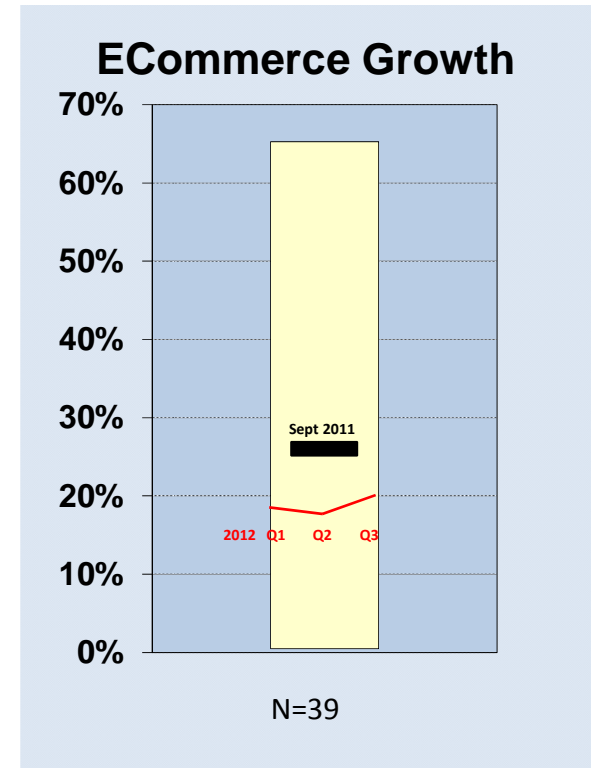


E-Commerce Metrics

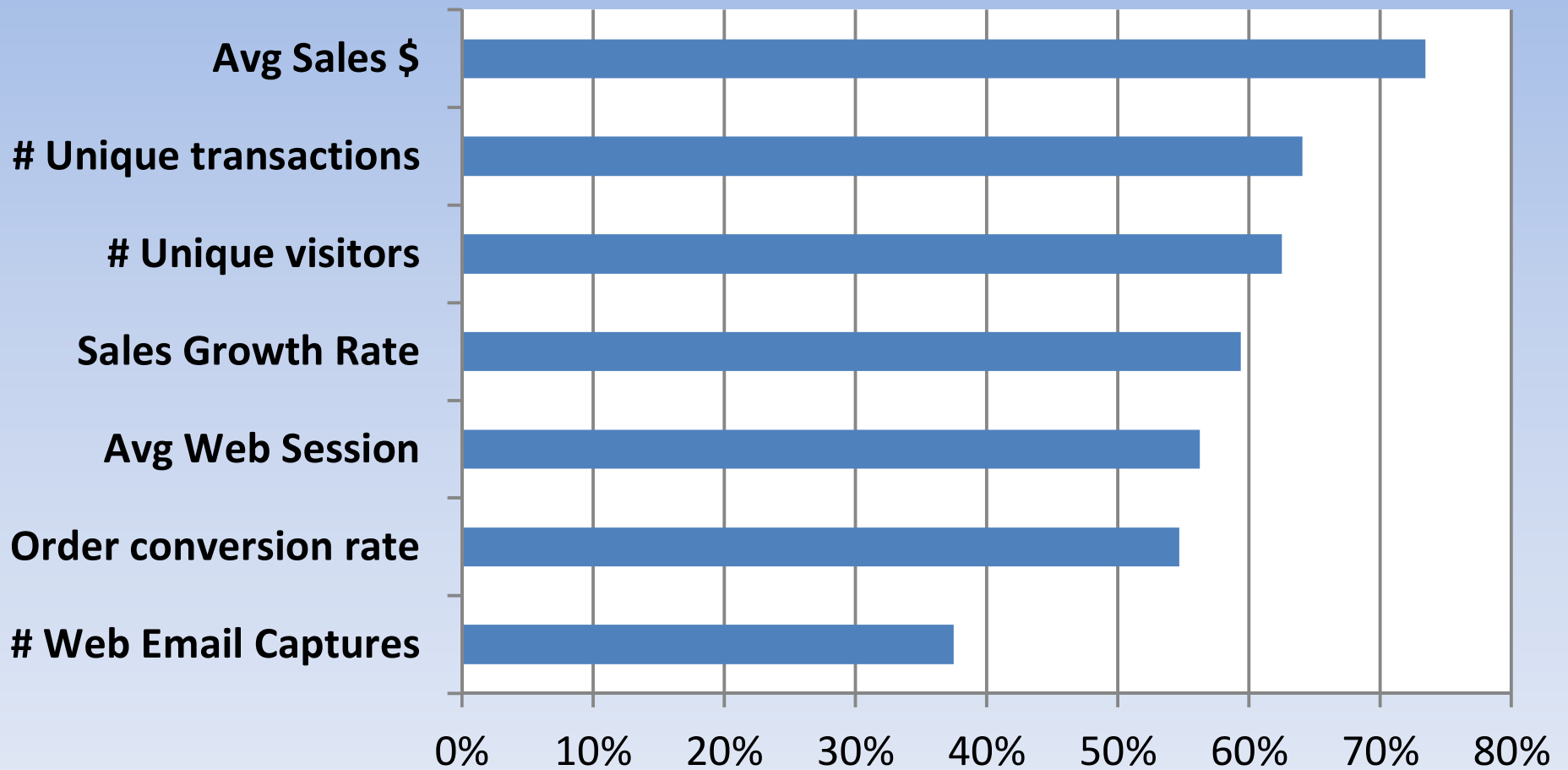
Total Sales Growth Rate %

Year over year (this month compared to same month last year)

Bottom line metric driven by growth in unique visitors, changes in order conversion rate and changes in AOV



Reporting/Usage of Ecommerce Metrics



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E-Commerce

What can you do to improve your metrics?

Overall E-commerce experience is composed of the following touch points:

Ease of finding information

Shopping cart experience

Ease of finding wines of interest

Level of detail about a specific wine

Ease of placing an order

e.g. # of clicks to purchase, page path to cart

Ease of logon

Ease of obtaining discount

Ease of updating account (e.g. shipping/billing information)

Etc.



Social Media / Customer Engagement Metrics

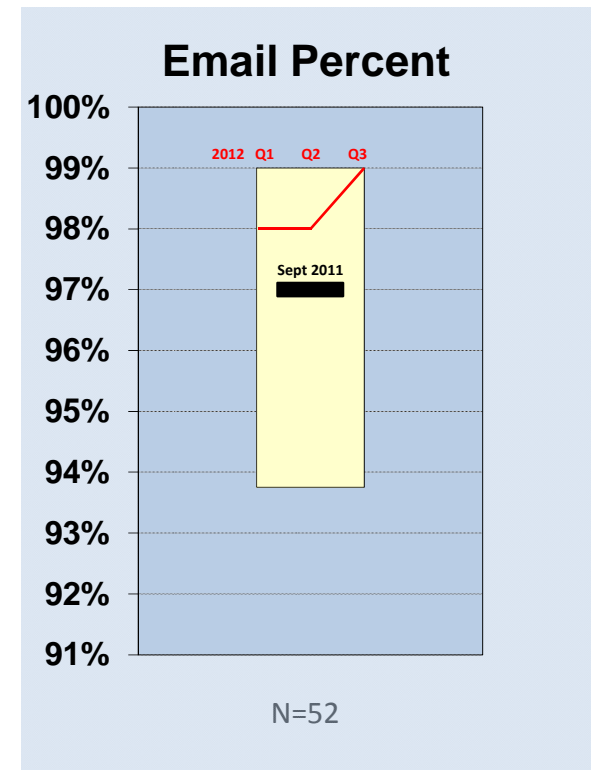
Percentage of Club Members with Email

club members with email address on file / # club members

Communication is key to club loyalty

Levers:

- Phone / letter
 - Did they opt out mistakenly?
 - Did they change jobs?
 - Email aging is a constant battle
- Easy process for self-update



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Social Media / Customer Engagement Metrics

Net Growth Rate of Mailing List %

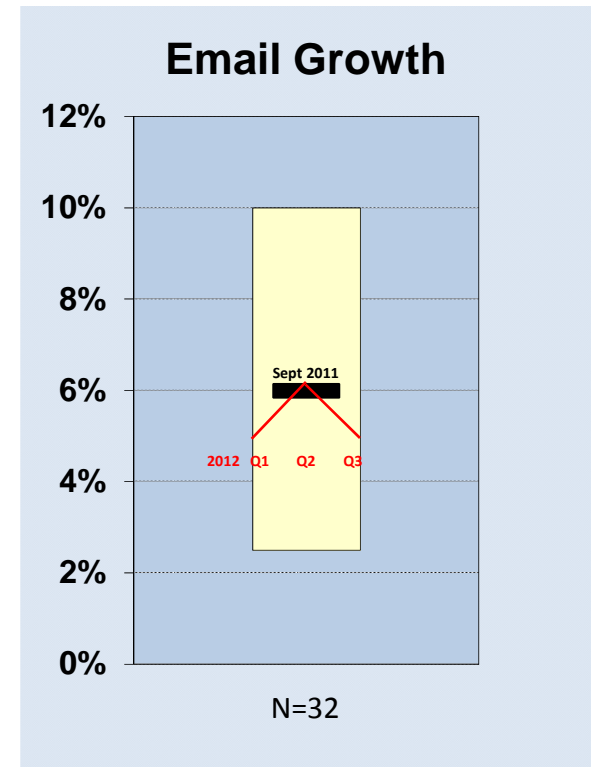
(# new names - # canceled names) / # names at beginning of month

Upward trend is more important than size

Surveys show that far more customers of all ages (95%-100%) prefer push communications via email than via Facebook (10%-20%).

“What is your preferred method for staying in touch with <our winery>?”

➔ Email is still king!



Social Media / Customer Engagement Metrics

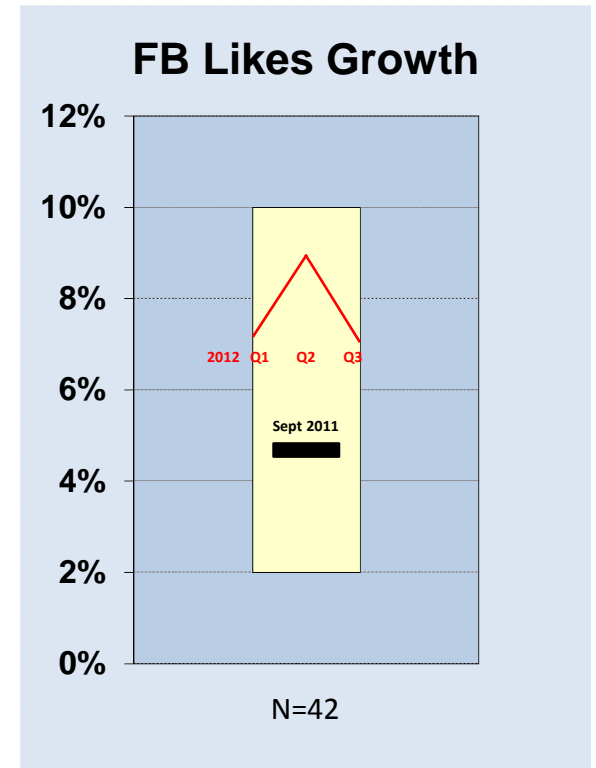
Percentage change in Facebook likes

Month over month

Important metric of how well you are doing

Are you growing faster than the industry?

Metric of the future:
“engagement” – time with user. Industry is not yet clear on how to measure



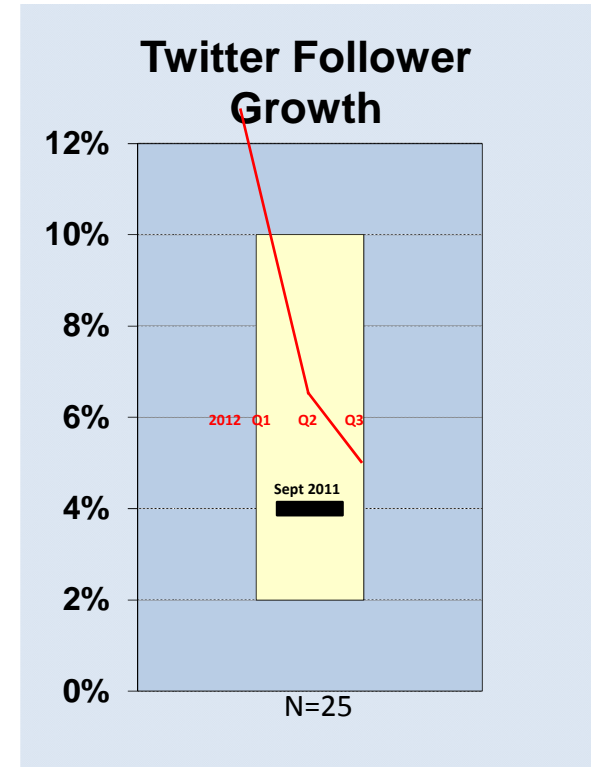
Social Media / Customer Engagement Metrics

Percentage change in Twitter Followers

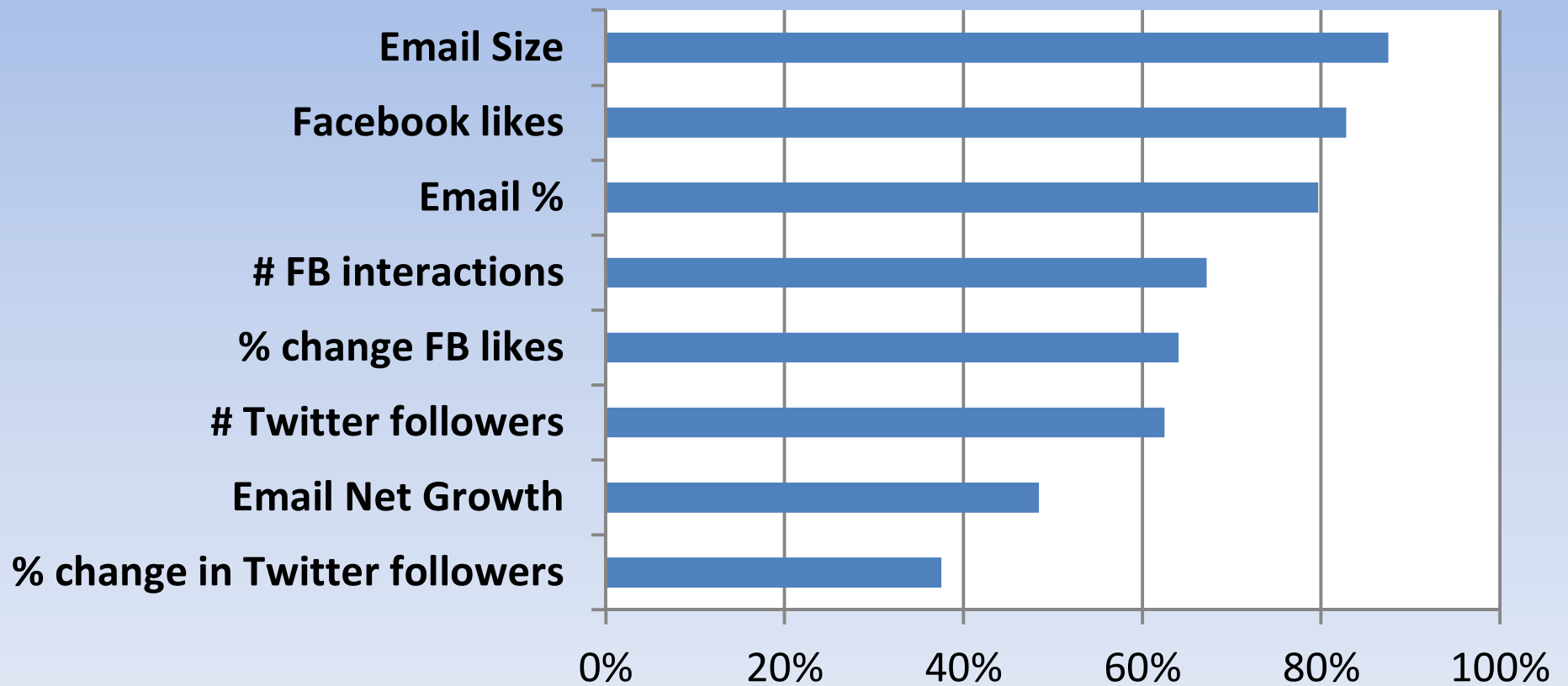
Month over month

Again, benchmarking your trend is more important than benchmarking your size

Are you growing faster than the industry?



Reporting/Usage of Social Media



Some social media takeaways

>95% of customers want to engage with you via email

- regardless of age demographic, gender, level of experience or family income

~15% of customers want to engage via social media

- <25% even if you are Millennial or GenX

Email is the king of social media levers



Which takes us back to...your Career Goals

May I suggest these?

- Become indispensable
- Become an industry asset
- Become an acknowledged expert and industry leader
- **Gain the role as trusted advisor in your organization**

How can I do this?

- Become a wine industry *business management* expert

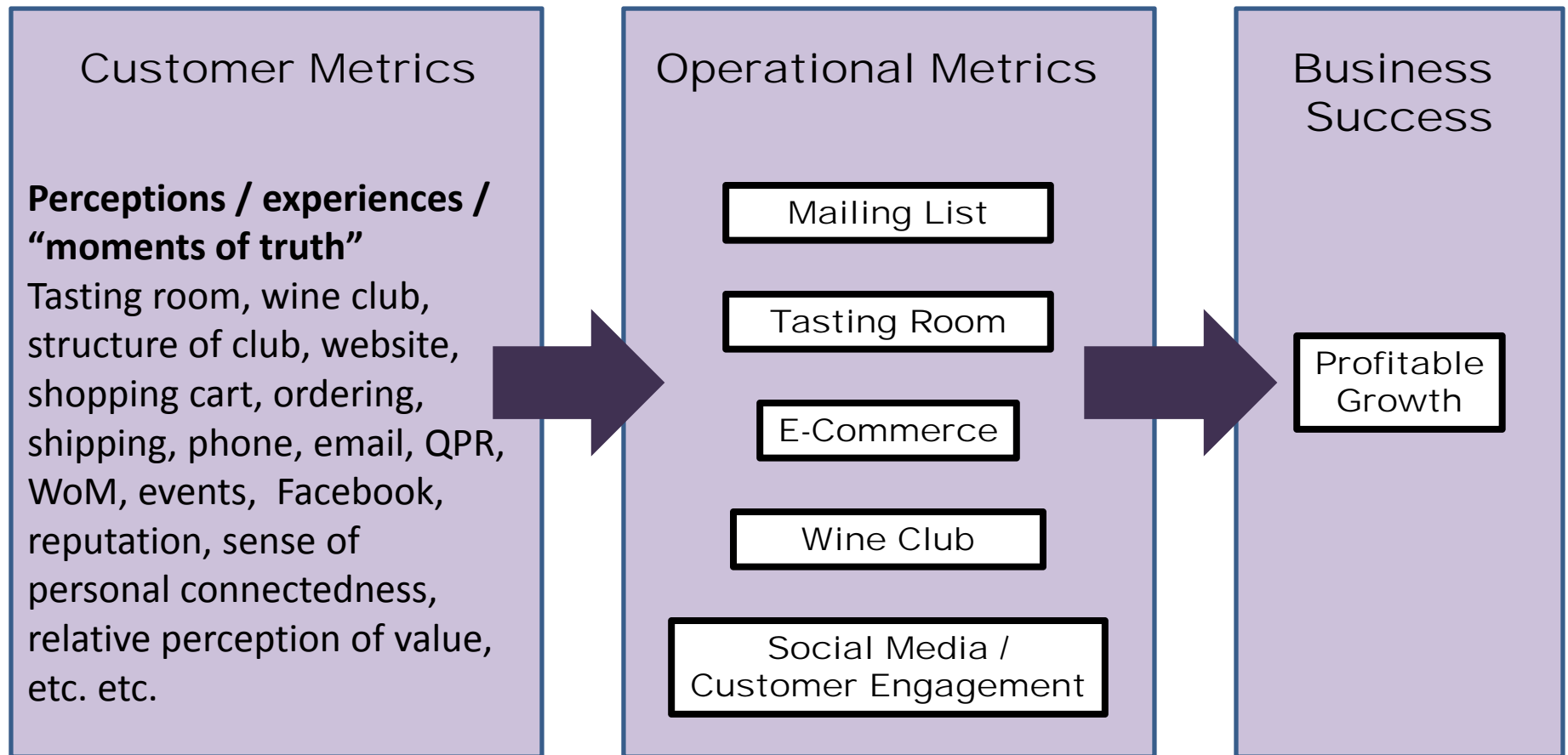
And how do I do that?

- Be an advocate for running your business off of metrics
- Learn what levers you can pull to improve your metrics
- **Be in touch with your metrics and know how to use them**



Winery Management System

Future: focused on customer metrics



Tracking these metrics is necessary but not sufficient

It is less about tracking and more about taking the right actions

As a way of thanks to the participating wineries in the benchmark, each has received their own customized report!

Also, a special thanks to Ryan Moore of Ridge Winery, my goto guy for winery metrics.

Have special needs? Email me for a benchmark created just for you or a presentation to your management team.

ross@bennettvalleygroup.com

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THANK YOU.

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