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Tasting Room and E-Commerce Sales Continue To Grow

Eighty-five percent of a wine club's membership acquisition is initiated through a visit to the winery's tasting room. This metric, along with other key indicators of health related to participants' direct to consumer channels, were presented last week by **Ross Goodwin**, managing partner of **Bennett Valley Group,** at the **2012 Direct to Consumer Wine Symposium**.

2012 DIRECT TO CONSUMER WINE SYMPOSIUM

Bennett Valley Group surveyed more than 60 wineries and reviewed 18 separate metrics for data from September to October 2011, including tasting room sign-up rates, additional wine club member revenues, average tasting room dollar transactions and **Facebook** likes. Among its findings were a surprising increase in tasting room and e commerce sales and that email is the preferred channel for all age groups.

Participants included wineries from Napa, Sonoma, Monterey, Paso Robles, San Luis Obispo, Santa Barbara and Santa Clara counties that produce between 500 to more than 500,000 cases and see between 100 and more than 15,000 visitors annually and have a wine club size with 100 to more than 10,000 members.

"From a business perspective, anyone who is trying to operate a retail store, which is what the DTC business is—the retail arm of wine—they need to see metrics which are aggregated at the highest level possible to determine how successful they are against the competition," said **Brian Baker**, the Direct to Consumer Symposium chairman and V.P. of sales and marketing at **Chateau Montelena** winery.

Baker said that a winery's failure in a particular area of the benchmarking survey may lead to additional investment into a potential resource, tool or software. Successes could generate additional spending because direct to consumer profit margins could be forecasted two to three years out, enabling management to reallocate resources toward an investment on the production side.

Tasting Room Key Findings

Conversion of tasting room visits and paid tastes which lead to wine club membership or on-site purchases are a key indicator of the health of a winery's direct to consumer program. The median rate at which wineries that participated in the survey are converting tasting room visitors to wine club memberships is 4 percent. The median rate at which wineries converted paid tastes to wine club memberships is 6 percent (FIGURE 1). Conversion of tasting room visits and paid tastes to on-site purchases was 57 percent and 68 percent, respectively (FIGURE 2). Bennett Valley Group concluded that compelling tasting room experiences are driving purchases.

FIGURE 1

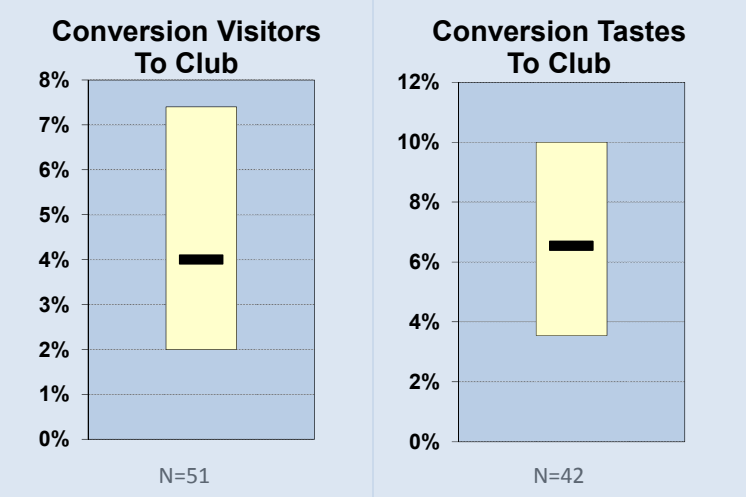
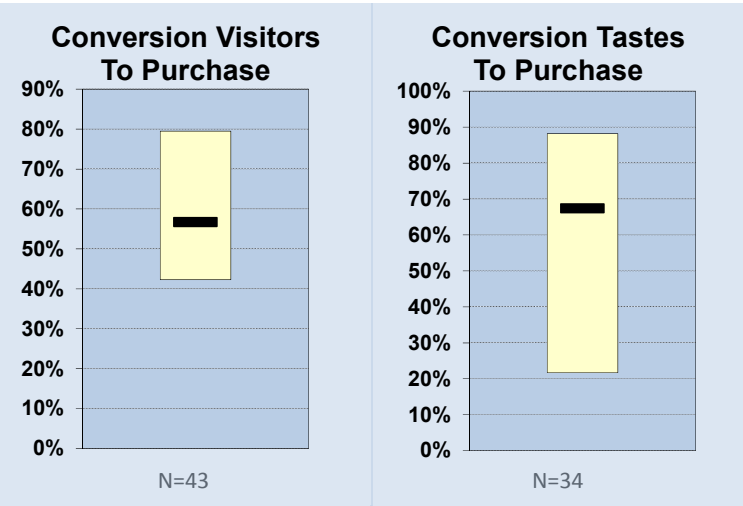


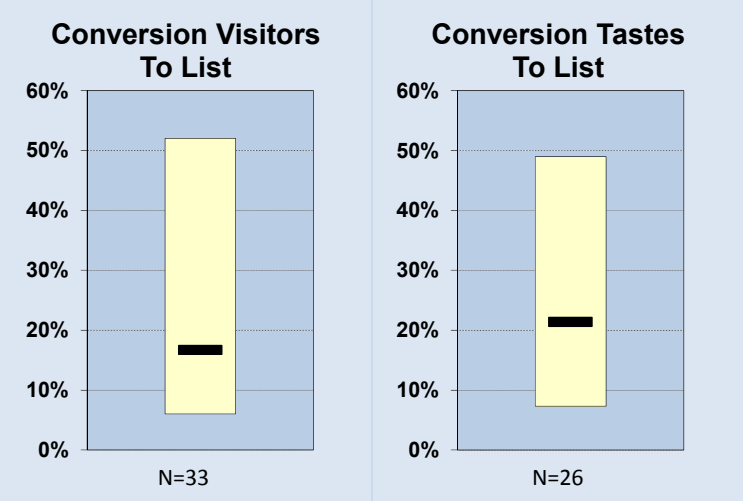
FIGURE 2



"Just because we can acquire new customers doesn't mean that we can hang on to them," Goodwin said.

Goodwin said that the next best thing to visitors signing up for a wine club membership or making a purchase was visitors signing up for the winery's mailing list. Of the survey's 66 respondents, 25 percent were meeting or exceeding a 50 percent conversion rate of visits to mailing list signups (FIGURE 3).

FIGURE 3



The average sales volume in the tasting room of those wineries surveyed was $63 per transaction (FIGURE 4). The trend line is going up, Goodwin said, which is growing overall winery revenues.

The total sales growth rate among wineries for the month of September in 2011 as compared to September 2010's median growth rate is 17 percent (FIGURE 5). The top 25 percent of wineries surveyed are currently exceeding a 35 percent growth rate.

"If you're growing faster than that, you're taking customers away from your competition," Goodwin said.

A somewhat controversial topic among those with tasting rooms is whether or not to include merchandise for sale as part of the winery experience.

Goodwin found that the top 25 percent of wineries are growing their sales by more than 11 percent. The average is 7 percent. The spread demonstrates a significant increase in the potential to bolster total sales revenues.

FIGURE 4

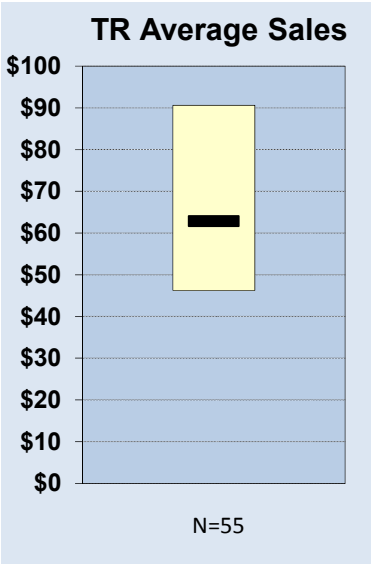
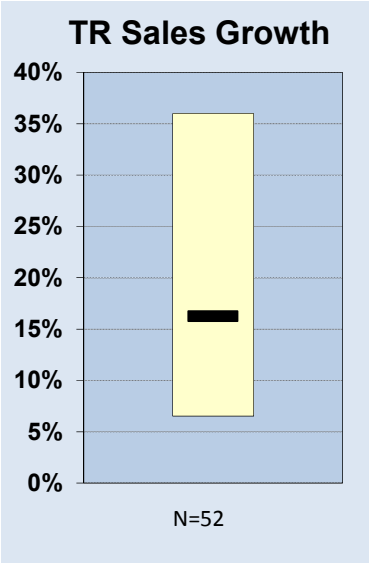


FIGURE 5



Wine Club Key Findings

Goodwin emphasized wine club membership attrition rates and said that this metric was important because it is a direct measure of loyalty and the customer experience. Key variables in maintaining a low attrition rate for wineries are:

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

Acquisition rates and attrition rates are highly correlated, Goodwin said. The average attrition rate was 2 percent, and the average growth rate between August and September 2011 was 1.3 percent.

The most important metric to track among wine clubs is the membership's average tenure. The top 25 percent of wineries surveyed are exceeding tenures of 36 months; the bottom 25 percent demonstrate less than 18 months tenure, and the average is between 18 and 36 months.

E-Commerce Key Findings

E-Commerce visitation directly drives sales growth. Key variables to supporting the growth of e-commerce in the direct to consumer channel are:

- Search engine optimization
- Email/marketing communications
- Tasting room reinforcing website visitation
- Google ad words, etc.

Key variables to increasing conversion rate of e-commerce to orders are:

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

The average order conversion rate is 2 percent. Total sales growth in the e-commerce channel for the month of September in 2011 as compared to September 2010 is 27 percent, with the top 25 percent of wineries exceeding 65 percent growth rate through e-commerce.

"This is a phenomenal growth rate," Goodwin said.

Customer Engagement/Social Media Key Findings

Between 95 and 100 percent of customers of all ages prefer email communications over Facebook. Goodwin suggested that wineries ask customers: "What is your preferred method of communication with our winery?"

The average growth of Facebook likes is 1,750, and average growth rate of Facebook likes is 5 percent. If a winery is exceeding that growth rate, it is taking mindshare away from its competitors.

Key Take-aways

- There is a surprising increase in year-over-year growth of tasting room and e-commerce sales
- If more than 85 percent of club acquisition is via the tasting room, wineries may consider investing in other channels
- Survey your customers

"Fundamentally, consumers are pursuing superior value, not inferior value," Goodwin said. "They are looking for a competitively superior total customer experience at every point, and they are comparing you with all the other wineries. If you're inferior, there're going to leave you."

About the Survey

The **DTC Winery Check Up** survey enables wineries to compare their direct to consumer sales performance against their peers. Each participating winery receives a confidential, free report that shows how it compares against others. Survey administrators expect to offer the survey annually.

"There is little publicly available information on winery DTC performance, and this survey collects real, useful data in a confidential manner and shows wineries how they rank against each other," Baker said.

In total, more than 450 industry representatives attended the 2012 Direct to Consumer Wine Symposium in San Francisco January 18 and 19. Attendees represented wineries from across the U.S., including New York, Arizona, Colorado, North Carolina, Texas, Wisconsin and Virginia, as well as Canada. It was the most widely attended Direct to Consumer Wine Symposium in its 5-year history. **WBI**