2019

Winning in the Wine Industry

Applying the 2019 Colorado Wine Industry Development Board's Consumer Survey Results

- Going to go to the liquor store to buy wine – for Christmas dinner.
- Walk in to Applejack liquors – thousands of wines – to choose from
- WHY do I choose your wine vs. all other options?

- 1 thing matters in all businesses – large, global brands to small restaurants, wineries, craft breweries.

- If you do only 1 thing… this matters the most in all businesses….

Be different from competition… in a way that matters to your customer…

- So – how do you do this?

- First you find out who your customer is? Who is most interested in your product? WHO IS YOUR IDEAL CUSTOMER?
- Then..You listen to them. What do they want, what is relevant, what is important to them?
- Then… you deliver a brand benefit that they want….
- THE RESULT… you will make better advertising, social media, direct mail programs or whatever it is that you do for marketing – it will be focused. And way more effective.

- This basic marketing strategy WORKS – and it will grow your business – regardless of your budget.

- The BIGGEST thing that large, multi million dollar brands do… is listen to their customers…

- Brands reside in consumers' minds… consumers gather info – friends, word of mouth, liquor store wine managers… and they form a belief about your brand.

- But… you must make what you tell customers BELIEVABLE
- We are bombarded with advertising messages
- 1000's per day – some say up to 5,000 w/ social media outlets
- Our brains seek rationale reasons to believe … our guts seek emotional reasons to act
- REASON TO BELIEVE is how to get people to vote for your brand with their $$$; why I believe what you are telling me…

An example: Tesla – a favorite to talk about.

Listened to customers: Volt, Prius – other options for electric cars – Chevy / Toyota – affordable... But issues…

- Concern about range
- Concern about ugly cars

What IDEAL consumers want: Want more Fun, eco friendly, sports car & willing to pay more for status

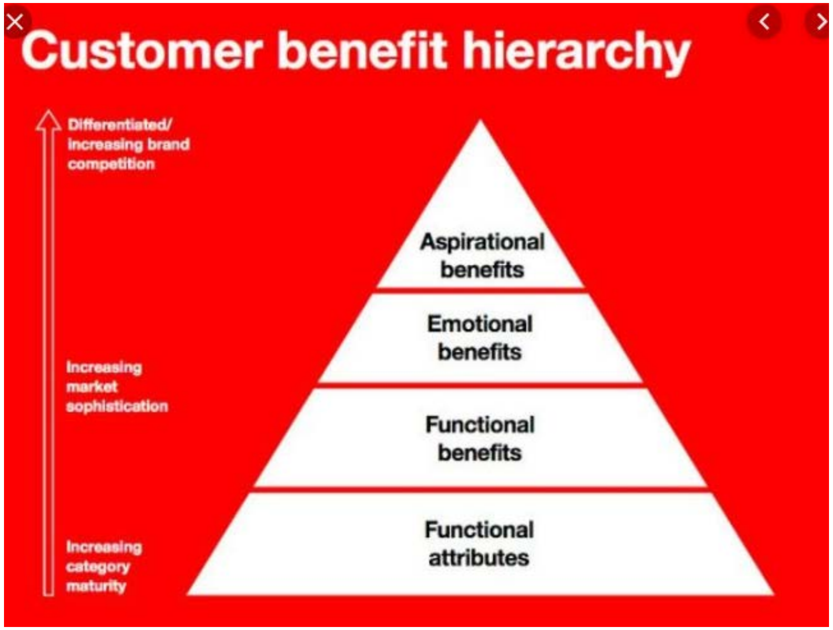
FUNCTIONAL NEED: nice looking, longer range

EMOTIONAL NEED: Status, peer approval, admiration = emotional, aspirational

REASON TO BELIEVE – price, quality,quirky features:

ie. Temp control for pets when leave car,

Ludicrous mode – 0-60 in 2.8 seconds / Model S



THEN… align consumer touchpoints:

- Just like Tesla – high end look and quirky features - whatever it is you end up doing – a tagline, outdoor board, advertising, point of sale in liquor stores… all these consumer touchpoints and the message you send… becomes VERY real when the wine drinker has an experience that DELIVERS on what you are telling them about your brand, your wine… In our case – a taste experience.
- Successful businesses and brands ALL DO THE SAME THING…

Whether businesses are small, big, non profit, for-profit, consumer-facing, B to B…

- They ALL focus on ONE THING…A reminder…

What does my brand do different from competition… that my customers value…?

So… HOW DO ***<u>WE</u>*** DO THIS?

- Who is our ideal target wine drinker?
- What retail channels? Restaurants? Wine tasting rooms?
- What matters to target wine drinker– listen to customers – their needs // find the benefit for them, what do they care about? Talk to retailers.
- What's unique about our wine – self inventory; what makes our wine different? Do customers and retailers care about my unique benefit?
- Why should the customer believe you? What allows drinker to believe the benefit you are telling them is real? What is your reason to believe?

MOST IMPORTANT: Listen to customers! Listen to retailers! Talk to them – get them to give you feedback – anyone can do this!

An example: Coors Light

- Male 21-34 IDEAL target - drink the most beer
- What they want – colder beer
- Does this even make sense? Can our beer be colder than competition?
- Sort of Illogical, when you think about it – sold in coolers; buy beer off warm display in grocery, can we really be colder vs. competition – w/all beer in the same cooler box?

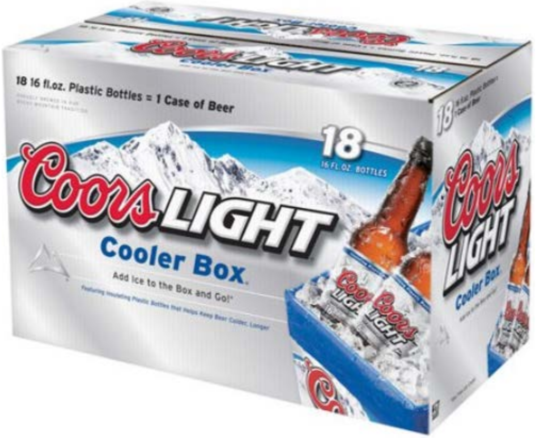
The power of "what if?"… let go of all the yes…but's

- **What if** we could keep beer colder longer?
- **What if** we could serve beer colder?
- **What if** it were possible to uniquely deliver cold refreshment?

If we could do this… we solve a consumer need AND we give them reasons to believe…

Coors Light Cold innovations

- Frost brew liner can –colder longer
- Super Cold draft beer - 27 degrees pour / below freezing - colder than 32 degrees
- Cold activated bottles – label turns blue when ice cold
- 18 pk Cooler Box – add ice and go – plastic liner



Innovation exploded – and it was REAL for consumers – they experienced colder beer and Coors Light gave them reasons to believe it was true…

Cold Refreshment - It's WHAT CONSUMERS WANT!   And it worked – grew Coors Light from 2006 – presently #2 brand behind Bud Light powerhouse; with a much smaller budget.

- Success is about choosing the RIGHT THING… to focus on….Not spending the most money …

- When you deliver a positive consumer experience= they will tell others.

FOCUS ON = meeting customers' needs & being relevant in a way that is unique vs. competition….

THE RESEARCH = LISTENING TO WINE DRINKERS

- Since 2014 – tracking trends, behaviors, attitudes
- Colorado wine drinkers (500 per study)
- Males, females – 21-70

WHO IS THE COLO. WINE CONSUMER?

Who currently drinks Colo wines?

- Awareness and Consumption steady over time.
- Older males…

Who is most interested in drinking?

- Male/ Female, younger
- Experimental wine drinker
- Already tried Colo wines

Sub Group Consumption of Colo. wines	2019	2018	2017	Index to total 2019
Metro Denver	65%	64%	62%	102
Weekly + (frequent wine drinkers)	66%	72%	66%	103
Age 21 - 35	51%	56%	57%	80
Age 36-50	65%	**70%**	58%	102
Age 51-70	73%	72%	71%	114
Male	70%	69%	67%	109
Female	60%	64%	60%	94
Hard Cider Drinkers	61%	69%	71%	95
Experimenters	67%	na	na	na

2019- Conversion to consumption of Colo wine Among those aware – By subgroup sample	
Metro Denver	85%
Weekly + (frequent wine drinkers)	87%
Age 21 - 35	94%
Age 36-50	92%
Age 51-70	83%
Male	86%
Female	86%
Hard Cider Drinkers	89%
Experimenters	89%

Insight: Once aware of Colo wines, conversion to consumption for Colo wines is very high among younger drinkers.

WHAT DO WINE DRINKERS CARE ABOUT?

What wine drinkers want:

- Good Taste / Quality
- Priced fair
- Locally grown is of interest
- Experiment – explore different wines
- Active / events - tasting

I like to experiment and taste different styles of wine and wines from different regions	72%
I like to buy Colorado and support local growers	66%
I am interested in visiting Colorado wineries	72%
I am interested in Colorado wine tasting events	69%
I think the Colorado wine industry has potential for future growth	75%
Restaurants that feature locally grown food should also feature local wines	75%

WHAT DO THEY WANT?....QUALITY

HOWEVER - Quality perception of Colorado wine continues to be lower than other wines.

- Quality perception of Colo wines continues to decline over time; significantly so in 2019.

Quality of wine (T2 Box %)	2019	2018	2017
European wines	89%	83%	85%
California wines	80%	79%	79%
Colorado wines	**39%**	45%	50%

*NOTE: significant differences vs. previous year - noted in **Bold red** font at the 90% confidence level.*

Significantly fewer Frequent / Weekly + wine drinkers perceive Colorado Wines to be good quality.

- Very low percentages of respondents in subgroups perceive Colorado wine to be quality. All are down from 2017 and some significantly so.
- As comparison, California Wine Quality is 80% T2 Box among the total sample (vs. 39% T2 Box for Colo wines).

Sub Groups – Quality of Colo. Wines (%T2 Box)	2019	2018	2017	Index to total 2019
Total– Quality of Colo. Wine (% T2 Box)	**39%**	45%	50%	100
Metro Denver	40%	43%	49%	103
Weekly +	**38%**	47%	53%	97
Colo. Wine drinkers	48%	51%	62%	123
Age 21 - 35	39%	46%	51%	100
Age 36-50	46%	45%	56%	118
Age 51-70	36%	44%	46%	92
Male	40%	45%	53%	103
Female	39%	45%	49%	100
Hard Cider Drinkers	43%	51%	57%	110
Total – Quality of California Wines (% T2 Box)	80%	79%	79%	100

Q. 11 Select the statement that best describes your opinion and impression regarding the **quality** of wines from each of the following geographic areas. 5 pt scale

*NOTE: significant differences vs. previous year - noted in **Bold red** font at the 90% confidence level.*

OTHER BELIEFS & BARRIERS…WHY NOT BUYING COLO WINES?

COLO wines…

- **DISTRIBUTION** - Cannot find – 32% - one third…
- Expensive – 20%
- Don’t taste good – quality – 13%
- Like other types of wine better – 16% open end
- Unfamiliar w/ it – 20% open end
- Unavailable – 10%

Why you don’t consume or purchase more of Colorado wines (aided list)	2019 TOTAL SAMPLE (n=505)
I cannot find Colorado wines where I purchase or consume wine	32%
Colorado wines don't have the prestige or same imagery as other types of wine I usually like to buy	20%
Colorado wines are too expensive	20%
I hear, or believe that Colorado wines don't taste good	13%
I hear, or believe that Colorado does not grow good grapes for wine production	13%

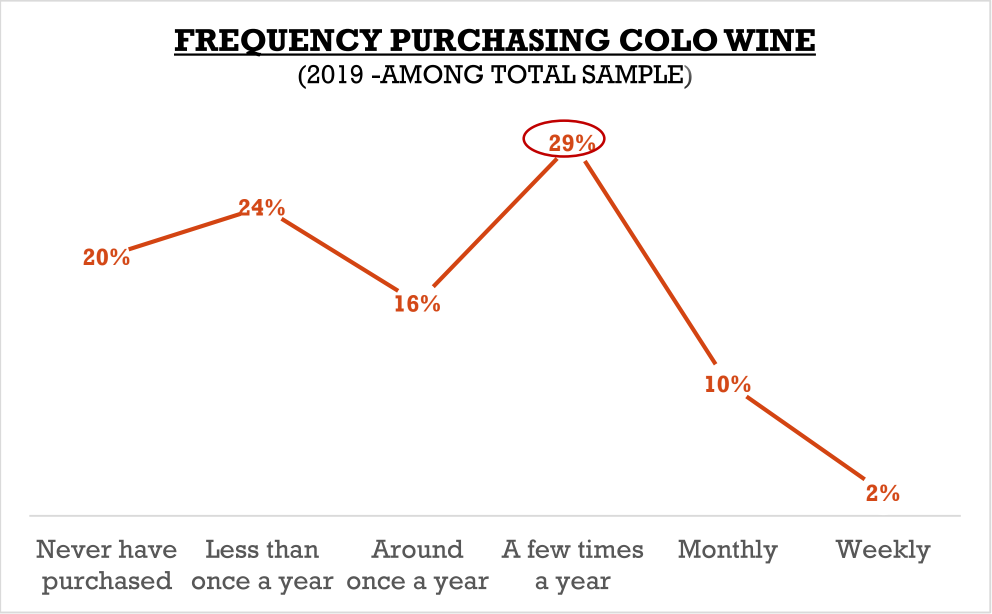
Why don’t you consume or purchase more Colorado wines? Open-end – 2019 (n=490)	%
Not familiar with it/Never heard of it	20%
Prefer/Satisfied with other wines/wines from other region	16%
Sounds / expensive	16%
Prefer to try different varieties/wines from different locations in US	10%
Not available/Don't see it on the market	10%

Insight: Colo wines may be in retail channels, but may not see it… not visible.

BEHAVIORS – BUYING COLO WINE

- Buy Colo wine infrequently
- Most (29%) purchase Colo wines a few times a year.
- 20% Never buy it

What if… we could get them to buy Colo wine one more time per year?



Insight: Awareness is relatively strong for Colo wines and among those aware, 86% have consumed Colo wines.
However, conversion to regular purchase of Colo wines is very low – only 12% (monthly, weekly).

IMPORTANT TOUCH POINTS

Share of Wine purchase locations in last year	CO Wine 2019 (n=323 CO wine drinkers)
Neighborhood liquor store	30%
Large, volume discount liquor store	22%
Restaurants	13%
Grocery stores or Membership warehouses that sell wine	11%
Bars	6%
Wine Club	5%
Wine specialty shop	5%
Winery or wine tasting room	5%
Internet	2%
Farmer's markets	1%

Retail Channels

- Expect to buy Colo wines – local, neighborhood liquor stores – 30% of current Colo wine drinkers believe this.
- Restaurants

Insight: Remember – 32% said they cannot find Colo wines… If relying on Wine specialty or wine tasting rooms or farmer's markets - missing key retail channels for Colo wine purchasers.

Total Sample	2019 Occasions consumed wine	2019 Occasions consider including CO wine	2019 Gap (% points)
For a holiday meal or special occasion	82%	49%	-33
At a restaurant before or with a meal	79%	53%	-26
At home alone, while relaxing, reading or some activity w/o food	69%	53%	-16
At home entertaining guests	73%	52%	-21
While on vacation	72%	44%	-28
Taking to a friend's house for a meal or party	66%	52%	-14
At home while cooking	64%	46%	-18
Outdoors – picnic or BBQ	42%	43%	1
As a gift for a co-worker or casual friend	42%	47%	5

Defining occasions

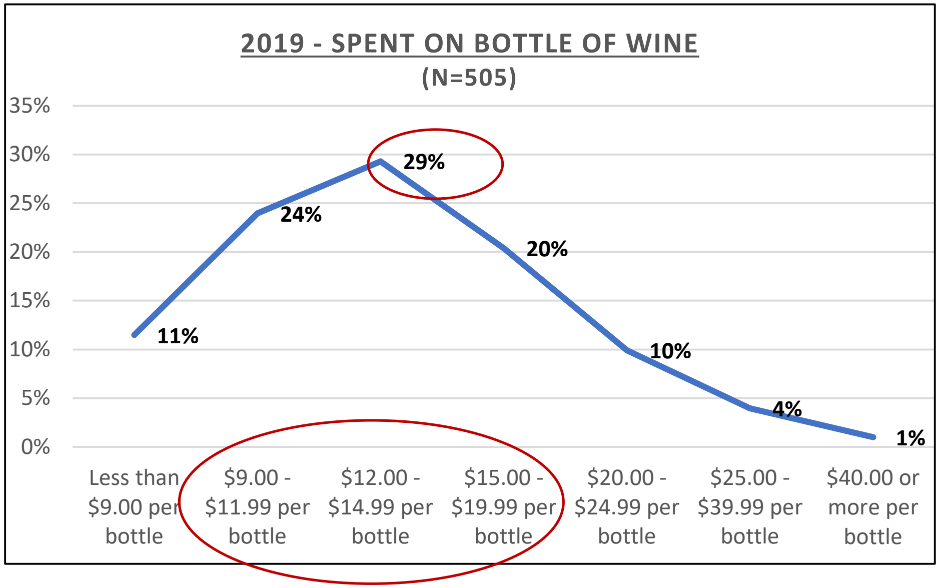
- Where do Colo wines "fit" does not always match up to where wine is consumed.
- Large occasion gap for holiday, restaurant, entertaining, at home.

Insight: Bringing Colo wines home for the holidays and home for celebrations – a key focus area for industry.

TOUCHPOINT: PRICING SWEET SPOT:

$9-$14.99 is what the majority of people pay for wine in general:

- 29% pay $12-$14.99 per bottle of wine.
- Very few pay $25 or more per bottle.



Q. 5. How much do you typically spend on a standard (750 ml) bottle of wine at a liquor store or wine shop? ?

Insight:

- If your wine price point is higher, your ***ideal*** consumer may be more craft / less commodity wine focused.
- They still need a believable reason to spend more on your wine.
- They need to know it's a quality option.

WHO IS IDEAL CONSUMER: DEMOGRAPHICS

Younger wine drinkers state stronger PI for Colo wines:

Current Colo. Wine drinkers – thought leaders, experiments & open to future purchase

- Younger 21-35 wine drinkers state stronger Future PI (76% T2 Box) for Colorado wines, indexing higher (121) vs. total.
- Among those who have consumed Colorado wines, their interest in repeat purchase is 68% T2 Box PI in 2019.
- Notably, 51-70 year-olds continue to be the lowest in terms of overall PI for Colo wines (52%); indexing 83 vs. total.

Sub Group PI of Colo. Wines (T2 Box % - 5 pt. scale)	2019	2018	2017	Index to total 2019 (63%)
Metro Denver – Future PI- Colo wines	62%	62%	65%	98
Weekly + Future PI - Colo wines	61%	65%	69%	97
Colo. Wine drinkers – ever consumed (q3)	68%	71%	77%	108
Age 21 - 35	76%	72%	73%	121
Age 36-50	66%	61%	76%	105
Age 51-70	52%	59%	57%	83
Male	61%	62%	67%	97
Female	64%	66%	68%	102
Hard Cider Drinkers	67%	76%	77%	106
Experimenters	67%	na	na	na

Insights:

- Awareness of Colo wines is lowest among 21-35, 61%.
- And, purchase interest is highest among this younger sub-group (76% T2 Box).
- Increasing awareness among this younger demo, would yield trial, based on their interest in purchasing Colo wines in the future.
- 51-70 drinkers are not as interested in purchasing Colo wines.

Q.10 In the future, how interested are you in purchasing wine from each of the following geographic areas? (check one) 5 point scale.

WHO IS IDEAL CONSUMER: ATTITUDE AND BEHAVIOR SEGMENTS

Segments Based on Attitudes and Behaviors: Rebecca Ritz – 2019 VinCo

IDEAL target: Enthusiasts – almost 1/3 of wine drinkers in CO – 29%

IDEAL:

- Wine enthusiast
- Knowledgeable @ wine
- Like to browse
- Like to try new wines
- Experimentation is the norm

NOT IDEAL:

- Traditionalist – drink well known wines
- Satisfied Sipper – drink same, safe wines
- Savvy – deal shoppers

SEGMENTS N=2019 sample	Among the total sample Rebecca Ritz Segments – 2019 VinCo	% Total 2019 (n=505)
Traditionalist (n=33)	I tend to drink a range of wines from established, well-known wineries.	7%
Enthusiast (n=147)	I feel comfortable with my knowledge of wine, which might be more than the average wine drinker. I like to take my time to browse the wine section to seek out new and interesting wines.	29%
Overwhelmed (n=46)	I am sometimes a little overwhelmed or confused by all the choices on a wine list or at a liquor store, which leaves me at a loss as to what kind of wine I want to buy or drink.	9%
Savvy (n=97)	I enjoy shopping at different stores in search of the best deals and discovering new wines. I always have a few favorites to fall back on to supplement my discoveries.	19%
Satisfied Sipper (n=161)	I feel that I don't know a lot about wine, but I do know what wines I like. I tend to drink the same wines that I know I like.	32%
Image (n=21)	I sometimes use the Internet to seek out highly-rated wines, new innovations and to learn more about wines. I am often the first among my friends to try a wine.	4%

WHO IS THE ENTHUSIAST / EXPERIMENTER?

Enthusiast Segment:

- Drink often – 80% weekly +
- Skew older – 59% age 51-70
- Educated – 80% college or grad school
- 84% aware of Colo wines; 72% of total have tried
- 56% interested in purchasing Colo wines in future
- Only 29% believe Colo wines are quality
- Spend $15.77 on wine/ on average

Enthusiast Segment – key measures	Enthusiast 2019
	(n=147)
Weekly + Wine drinker (S6)	80%
% male	57%
Denver Metro resident	60%
21-35	20%
36-50	21%
51-70	59%
Grad 4 yr college, Post grad (% S9)	80%
% Aided Aware of Colorado Wine Q2	84%
% Consumed Colorado Wine Q 3 based to total	72%
% Consumed Colorado Wine Q 3 among those aware of CO wine	86%
% purchase CO wine weekly or monthly – Q 9	10%
Have never purchased Colo wine - Q9	16%
20%+ share of purchase is Colo wine – q 18	22%
% T2 Box Future PI – q 10 – COLORADO	56%
% T2 Box Future PI – q 10 CALIFORNIA	88%
% T2 Box Future PI – q 10 EUROPE	85%
Believe Colo wine priced fairly - q 13	64%
Quality perception – Colorado wine – T2 Box % - q 11	**29%**
Quality perception – California wine – T2 Box %	88%
Typically Spend on Wine – Average – Q 5	$ 15.77

2020

How do the CWIDB and you address apply these insights in 2020?

“It’s about relationships.”

—Anne Cure, owner of Cure organic Farms
during the CO Food Summit

- ***Only you can establish and maintain relationships with your customers.***
  - You do that by listening to your customers and knowing what they want.
- Without the infrastructure and support of a wholesale distribution network,
  the task of selling your products falls entirely on you and requires using your relationships.
- You have to cross the quality bridge by yourself: when a retailer says Colorado wines aren’t good and don’t sell,

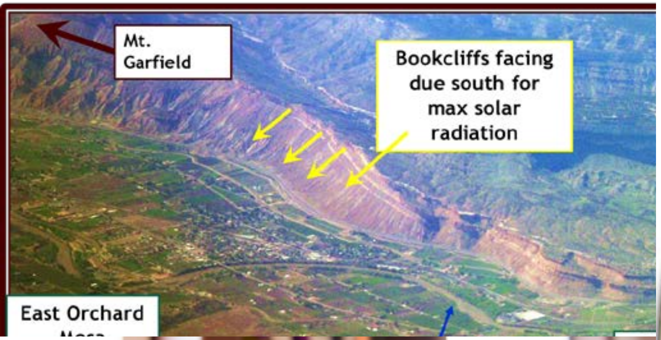
YOU need to give them a reason to think otherwise.

- How can the CWIDB support you in doing that?

WHAT CAN YOU TELL THEM THAT'S UNIQUE & MOTIVATING?

- Describe the "place" of Colorado wines
- Relate the "experience" of Colorado wines
- Demonstrate the "legitimacy" of Colorado wine

Terroir from 20,000 ft.:
Grand Valley AVA's Canyon Wind



WHAT IS THE CWIDB DOING?

Governor's Cup competition and CO Uncorked tasting

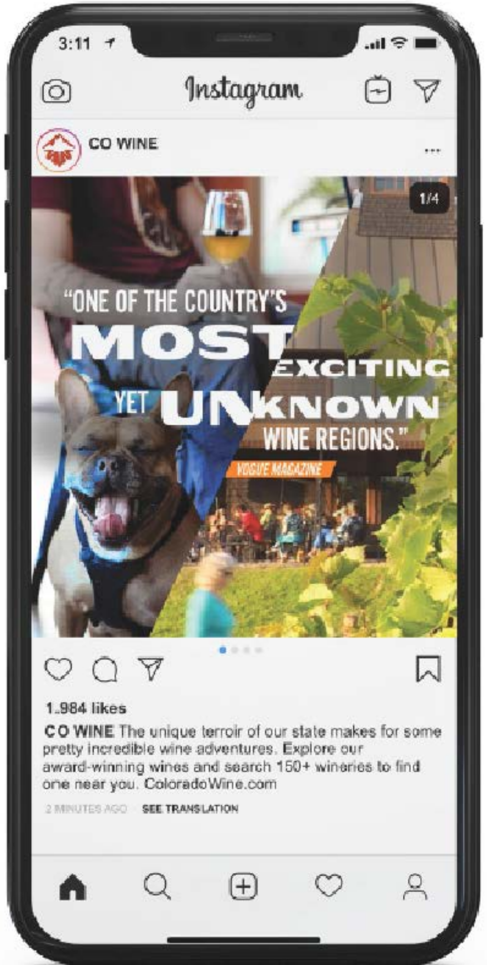
- features and promotes the best wines in the state as identified by a panel of national and regional wine experts.
- Governor's Collection used to represent the industry at promotional events during the following year:
  "These wines are really good!"
- **14 million impressions** from associated press, social media, and publications equivalent to $133,000 of advertising
- Pairing the best Colorado wines with many of the state's leading chefs
  - hopefully resulting in new connections, partnerships, and placements

2018 GOVERNOR'S CUP
THE BEST IN COLORADO WINE

REFRESH OF THE COLORADO WINE BRAND

"This is Colorado Wine"

- Appeal to a younger demographic
- Capture the range of the 160+ winery experiences
- Increase quality perception
- Drive people to where they can try Colorado wine: tasting rooms
- Media buys:
  - o Dropping billboards that have not moved the awareness needle
  - o Focusing on targeted digital advertising, allowing an exploration of quality recognition, awards and new varieties/styles
  - o Adding radio (CPR) and CTO Welcome Centers to the mix



WHAT IS THE CWIDB DOING?

THE FAMED frontier spirit of the men and women who helped settle the country we now call the United States required courage and conviction and the willingness to leave the familiar behind for worlds unknown—possible riches or possible ruin. It's the same spirit that drives so many American winemakers today, men and women who often risk all in the hope of producing a world-class wine.

Colorado Wine Camp for media and buyers

- Combining a FAM trip for travel and wine writers with an introduction and educational event for retail wine buyers.
  - Historical overviews, hands-on viticulture experiences, and wine tasting experiences in the heart of Colorado's AVAs
  - Ashley Hausman, MW to lend her credibility to the experience
  - Visiting Gov's Collection wineries

Coordinated Submissions to national publications

- 34 CO wines reviewed in *Wine Enthusiast*, avg score of 87 points
- 32 CO wines reviewed in *Wine Advocate*, avg score of 87.25 points

WHAT IS THE CWIDB DOING?

QUALITY

COLORADO STATE UNIVERSITY
EXTENSION

- Viticultural Specialist Miranda Ulmer with CSU Extension, based out of Orchard Mesa
- Colorado Grape Growers Website: viticulture.colostate.edu/

RESEARCH

- Climate mapping in Montezuma and Fremont Counties

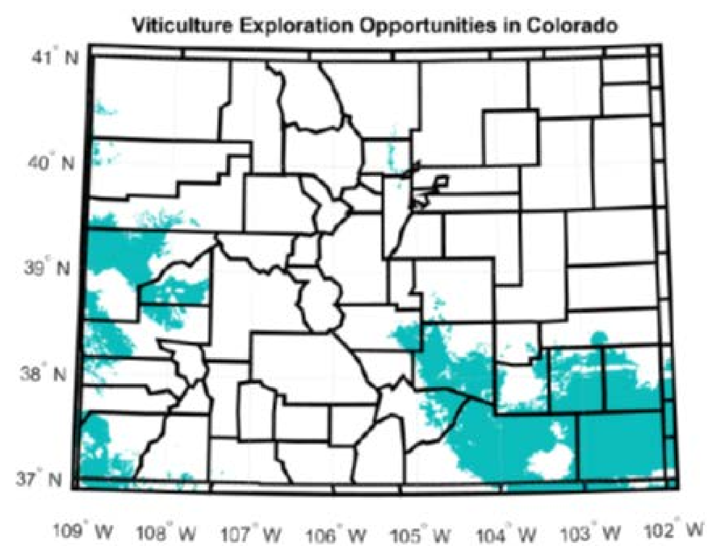


Fig. 22: Map of exploration opportunity (teal) areas for wine grape growth in Colorado based on PRISM estimated freezes/decade and SSURGO soil texture data.

HEADWINDS TO THINK ABOUT

Wine drinkers are a minority in the U.S.

(2014 Wine Market Council study)

- 35% of U.S. adults drank no alcohol
- another 21% consumed alcohol, but not wine.
- High-frequency wine drinkers made up just 15% of the adult population.
- Only 30% of the 15% of high-frequency wine drinkers -- accounted for
  - 90% of spending on $20+ wine
  - 40% of all purchases of $10-$20 wine.

Trend toward zero-alcohol and reduced consumption for health

(Mike Veseth, The Wine Economist)

- If the small group of high-frequency wine drinkers reduces consumption (Dry January, zero-alc, etc.) for reasons of health, it will make a big dent in our consumer base.
- Obviously the point is not to promote high levels of alcohol consumption, but rather to encourage healthy consumption of wine as an element of a sustainable lifestyle.
  Can you incorporate moderation and a healthy lifestyle into your brand?
- This isn't *the* answer to the problems facing wine today, but it might be part of a strategy to make wine more relevant and appealing.

Colorado wine lies outside the pricing sweet spot

(2019 Focus RSI Consumer Survey)

- What reason do you give your consumer to spend more than they normally do?
- How did Tesla overcome their pricing image?

OPPORTUNITIES TO THINK ABOUT

How can you build awareness among wine drinkers and then convert them into customers?

Create Frequent Tasting Events: get your product into mouths

- Tasting room events and wine clubs
- Wine festivals
- On-Premise promotions for restaurants, hotels, etc.
  - ***Be selective*** about what restaurants to sell to
    - Make sure you can supply and service all your accounts effectively
    - Find a place you are comfortable, that matches your brand and your image
  - ***"On-site sales promotions:"*** sampling your product for free (see Reg. 47-322 B)
  - ***By the glass listing: advertising through consumption (You get paid to advertise!)***
    Even if you have to discount your product to an uncomfortable level, you get exposure and new customers coming to the tasting room.
  - ***Restaurant staff trainings***:
    If the wait staff doesn't know you and your wine, they can't sell it

OPPORTUNITIES TO THINK ABOUT

How can you build awareness among Colorado wine drinkers and then convert them into regular customers?

- **In-store tastings for liquor stores and liquor-licensed drug stores**
  (See Regs. 47-313, 316 and 322)
  - samples must be paid for by the licensee
  - Consumer advertising specialties can be given away
  - Coupons or rebates allowed
    (The CWIDB can help you with coupon redemption.)
  - staff trainings: if the staff doesn't know you and your wine, they can't sell it
    (That applies with your wholesaler's staff, too!)

- **Create Occasion-based marketing:** ***What can you do to get customers to buy CO wine during the holidays?***
  - Promotional giveaways of glassware or wine charms
  - Holiday party "instruction packs" for tastings

- **Target younger (21-35), experimental drinkers**:
  - Is your social media marketing attractive to younger consumers?
    More of them allocate 20%+ share to Colorado wines.
  - Does your marketing facilitate customers sharing experiences of your products?
    More of them like to experiment, discover new regions or styles, and share their discoveries
  - Are you telling your story?
    More of them are interested in supporting local growers and in visiting local wineries