Lake County in the Marketplace

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Lake County Winegrape Commission
Momentum Seminar
January 23, 2014

About Full Glass Research

- Provider of economic & industry research to food & drink companies and organizations, governments
- Economic Impact studies
- Category outlook and trend analysis
- Supply vs. demand analysis using acreage/crush stats vs. sales data
- Marketing strategy consulting
- Clients have included a food service company, blueberry farmer, vineyard REIT, CPA firm, industrial suppliers, regional wine organizations, individual wineries, and grape brokers

About Wine Opinions

- Leading provider of quantitative and qualitative consumer and trade research on the U.S. wine market
- Online trade or consumer surveys
- Major market focus groups
- Proprietary “Vintrospectives” online trade or consumer discussion groups
- Trade one-on-one interviews
- Mobile iPad survey capabilities – tasting room or wine shop consumer intercept surveys and one-on-one interviews
- Custom market research and reporting

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Wine Opinions Data Sources

- Consumer panel (8,400+) skews to high frequency wine drinkers and wine purchasers across all price segments
- Trade panel (2,400+) focused on importers, distributors, on-premise, and off-premise sectors
- Commercially-sourced respondents for over samples or other client needs
- Client databases (wine club members, social media followers, trade contacts)
- Custom recruiting of trade senior executives and gatekeepers
- Partnership with Wine.com to provide consumer customer respondent pools based on purchases

Wine Opinions Clients (sampling)

BENZIGER FAMILY WINERY

Constellation

Don & Sons

DON SEBASTIANI & SONS THE NEXT GENERATION IN WINE

ST. SUPÉRY VINEYARDS & WINERY NAPA VALLEY

food network

KENDALL-JACKSON

GEYSER PEAK WINERY

Inter Rhône

IRF INTERNATIONAL RIESLING FOUNDATION

NAPA VALLEY GRAPEGROWERS EST. 1975

LoCA THE WINES OF LODI CALIFORNIA

TORRES 1870

Wine Australia

UNCORK NEW YORK! www.newyorkwines.org

WASHINGTON STATE

PURPLE WINE COMPANY

SONOMA COUNTY WINEGROWERS

RIOJA

RODNEY STRONG VINEYARDS

Full Glass Research Clients (sampling)

Charles Krug PETER MONDAVI FAMILY

SWANSON VINEYARDS

OREGON WINE

choicelunch

King Estate

PATZ & HALL

Springbank Farm Lebanon, Oregon SPRINGBANK FARM Est. 1912 503.819.6209 | info@springbankfarm.org

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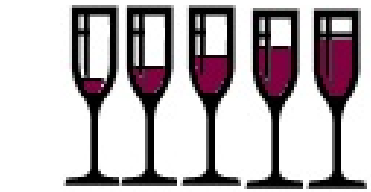
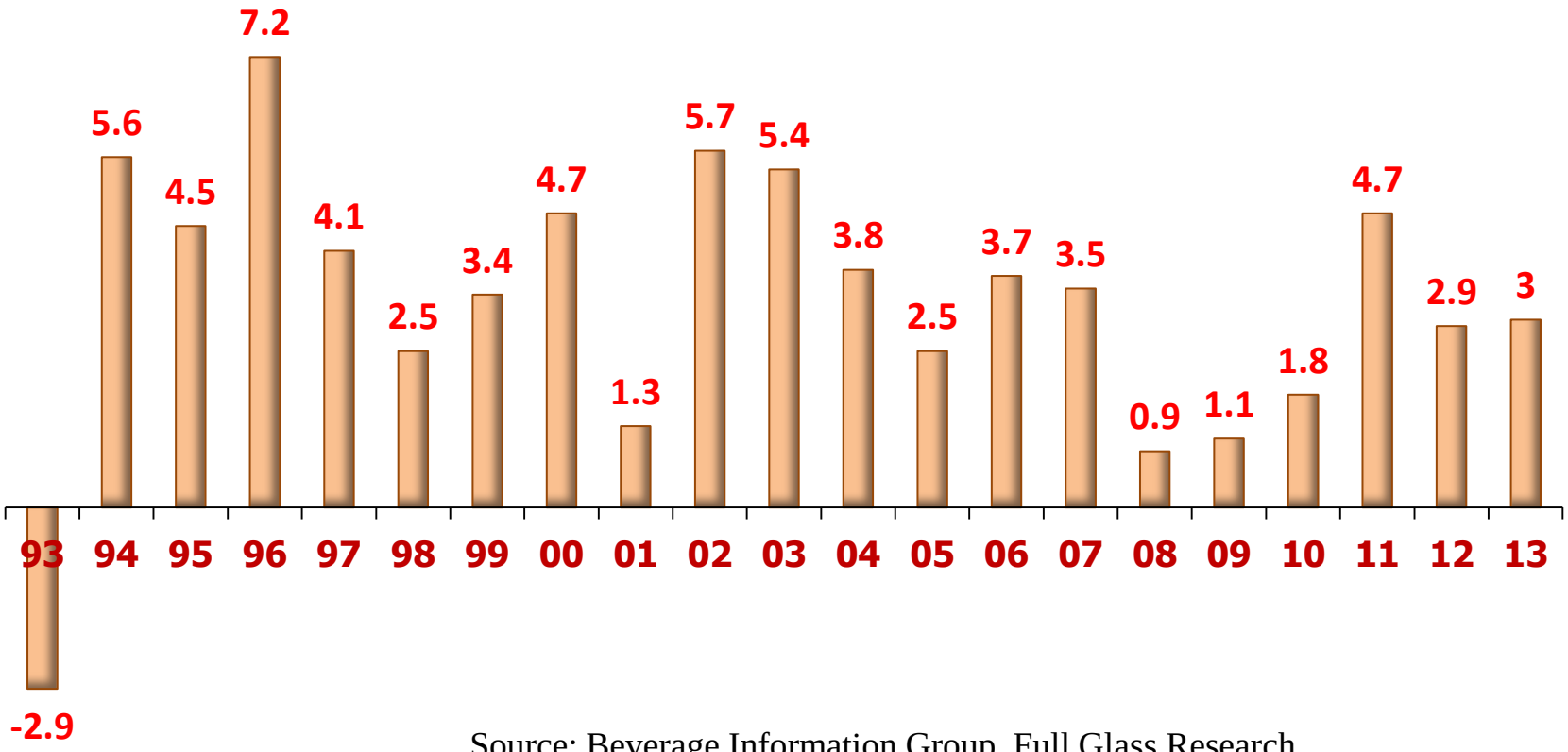
A Brief Review of the Wine Market



FULL GLASS RESEARCH

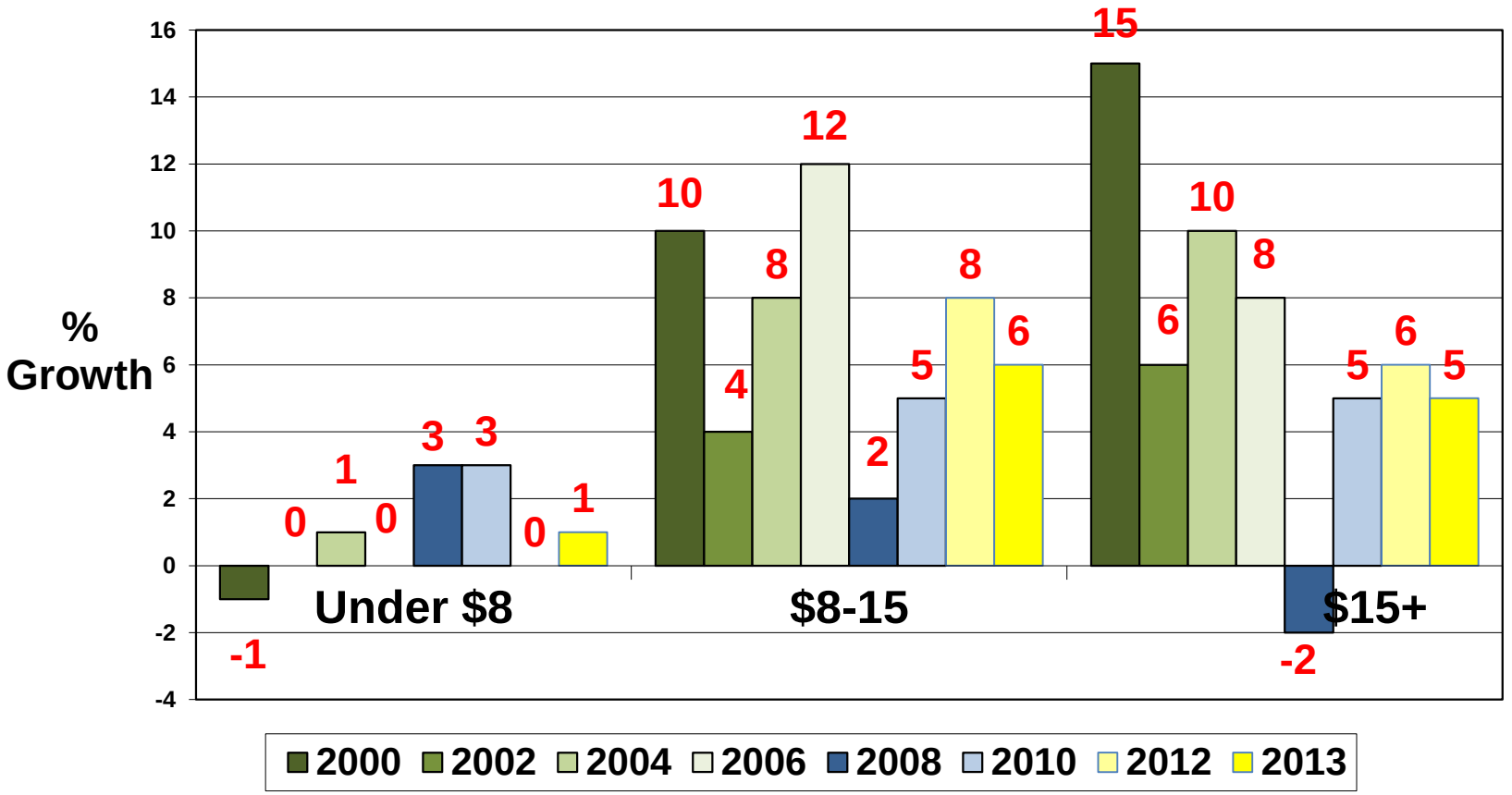
% Change in Table Wine Consumption 1993-2013

(Percentage gain/loss in volume)



Source: Beverage Information Group, Full Glass Research

Growth in California Table Wine by Price Segment 2000-2012



Source: Full Glass Research 2014

SCANNED TABLE WINE SALES, SELECT VARIETIES

% Share of $ Sales	Varietal	Value % Change
100%	Total Table Wine	+4.6%
19.5	Chardonnay	+2.0
15.3	Cab Sauv	+6.5
9.5	Red Blends	+15.0
8.8	Pinot Grigio/Gris	+9.3
7.6	Merlot	-3.0
6.5	Pinot Noir	+9.0
5.1	Moscato	+15.0
4.9	Sauv Blanc	+8.8
2.2	Riesling	-4.0
1.6	Syrah/Shiraz	-12.0

Source: Nielsen Total U.S. All Outlets (Food/Drug/Mass/Conv/Liquor/Club) 52 wks end 11/9/13

SCANNED TABLE WINE SALES by PRICE

% Share of $ Sales	Price Segment	% Change in $ Sales
100%	Total Table Wine	+4.6%
6.7	$0-2.99	+0.2
33.1	$3-5.99	+2.1
14.7	$6-8.99	-3.3
24.0	$9-11.99	+10.3
9.5	$12-14.99	+12.2
5.9	$15-19.99	+4.4
5.8	$20+	+12.0

Source: Nielsen Total U.S. All Outlets (Food/Drug/Mass/Conv/Liquor/Club) 52 wks end 11/9/13

High Frequency Wine Consumer: Purchases by Price Point 2009 vs. 2014

Percentage retail purchase by frequency and price segment (750ml)

	Purchase Monthly+		Never Purchase	
Price Segment	**2009**	**2014***	**2009**	**2014***
Under $10	**62%**	**48%**	**6%**	**15%**
$10 - $20	**74%**	**70%**	**1%**	**2%**
$20 - $30	**36%**	**45%**	**6%**	**5%**
Over $30	**14%**	**18%**	**20%**	**16%**

***prelim Jan 2014**

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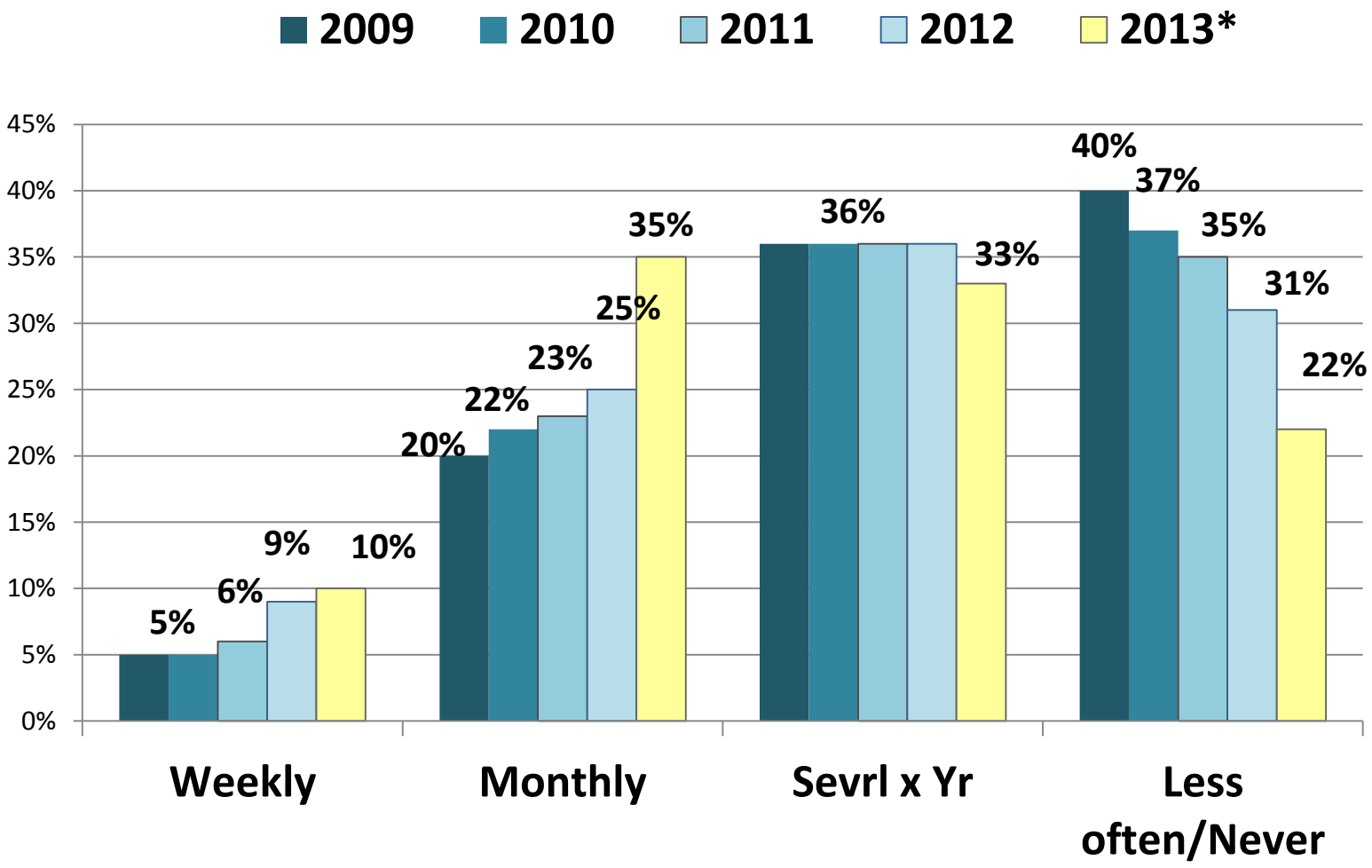
Wine over $20: Frequency of Purchase 2009-2013



*2014 preliminary

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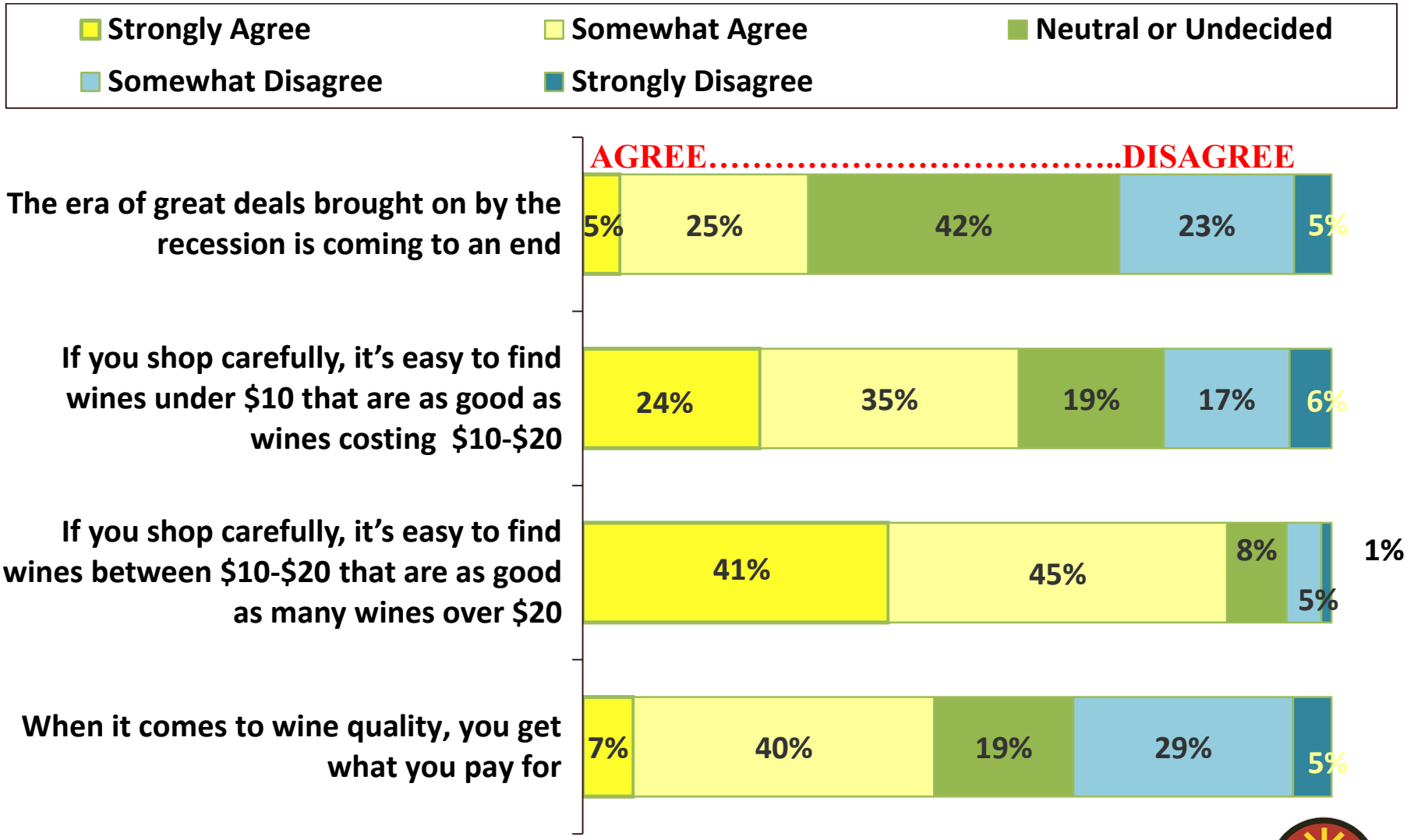
STATEMENTS on PRICE & VALUE 2013



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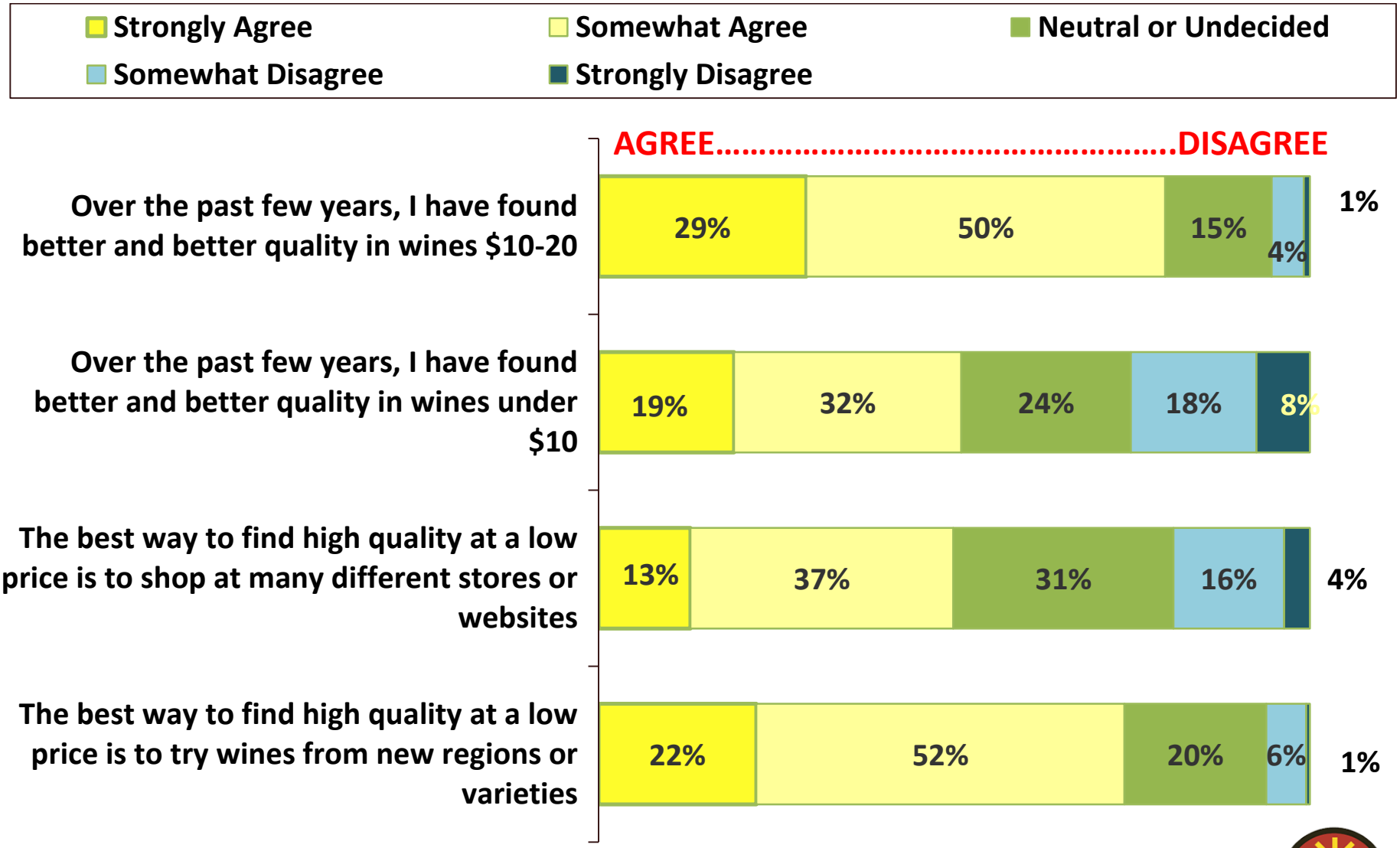
STATEMENTS on PRICE & VALUE 2013



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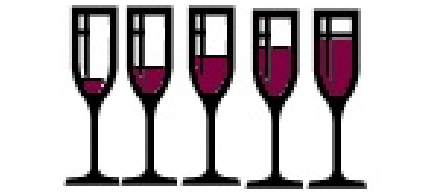
A Brief Review of the Supply Side



Three Sources of Demand for Lake County Grapes

- As blender for high end wines with high grape costs (e.g. Napa Cab)
- As blender or base for California or “coastal” appellated $10-20 wines
- Sales of Lake County AVA wines

Key Demand Indicators

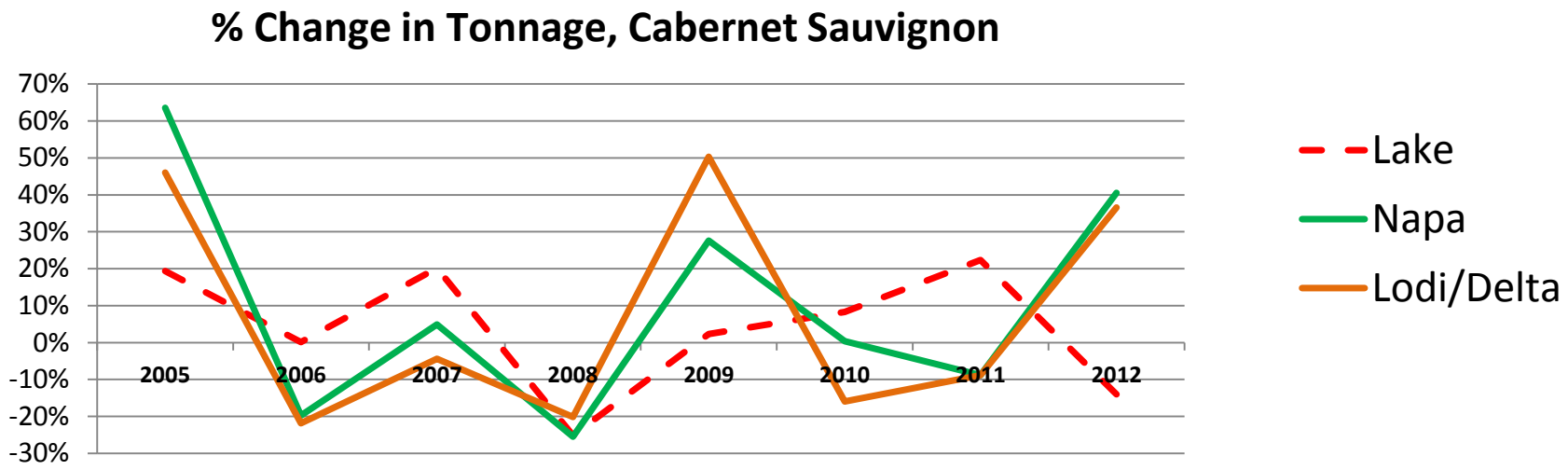
- **High End Blender:** sales of $20+ California and/or Napa Valley wines in scan data (skew towards liquor stores); DtC sales of Napa Valley wine; surveys of trade and high end wine consumers; Napa grape supply/demand balance.
- **Blender or base for California or "coastal" appellated $10-20 wines:** sales of $10-20 wine in scan data; grape supply and price trends in competitive regions (Lodi, Mendo, Central Coast, etc.)
- **Lake County AVA wines:** sales of Lake County wine in scan data (under-represented?); surveys of awareness-trial-purchase among high frequency wine consumers; surveys of wineries with widely distributed Lake County SKUs; DtC sales at Lake County wineries; Lake County share of SKUs in stores.

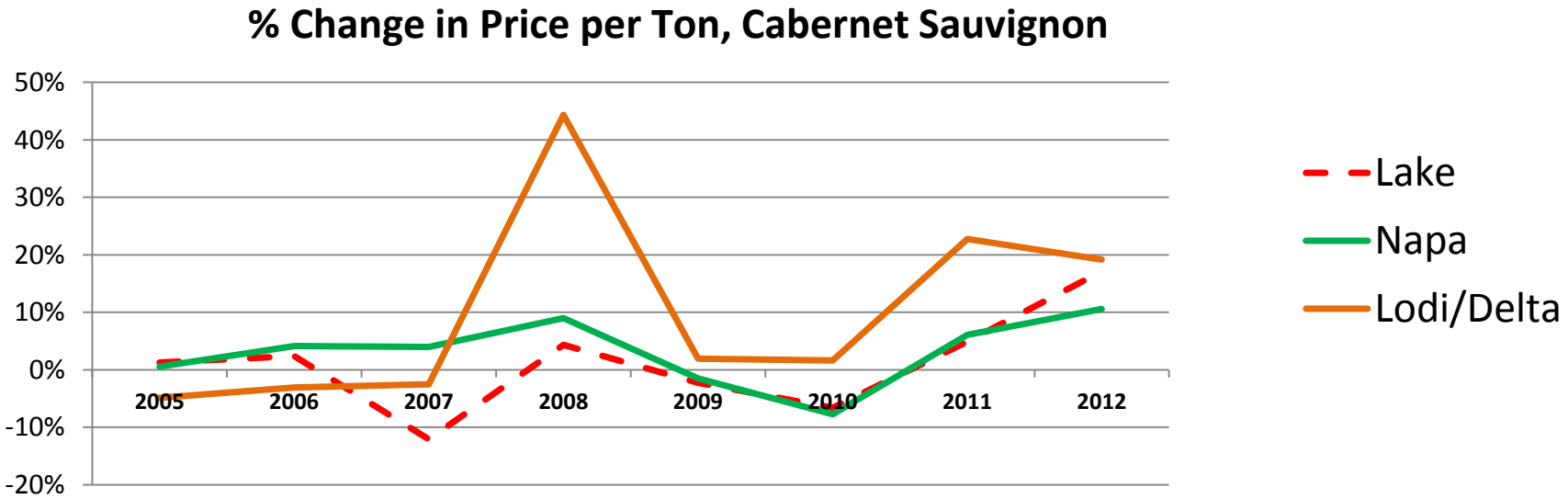
Price Comparison for Leading Varieties

	Price per Ton 2012			Lake Cty "Premium"	
Variety	**Lake Cty**	**California**	**Lodi**	**vs CA**	**vs Lodi**
Chardonnay	1210	849	559	43%	116%
Sauv Blanc	1005	862	511	17%	97%
Cab Sauv	1616	1385	727	17%	122%
Merlot	1201	802	588	50%	104%
Petite Sirah	1551	854	807	82%	92%
Syrah	1317	761	565	73%	133%
Zinfandel	1518	715	817	112%	86%

Source: CASS, Full Glass Research 2014

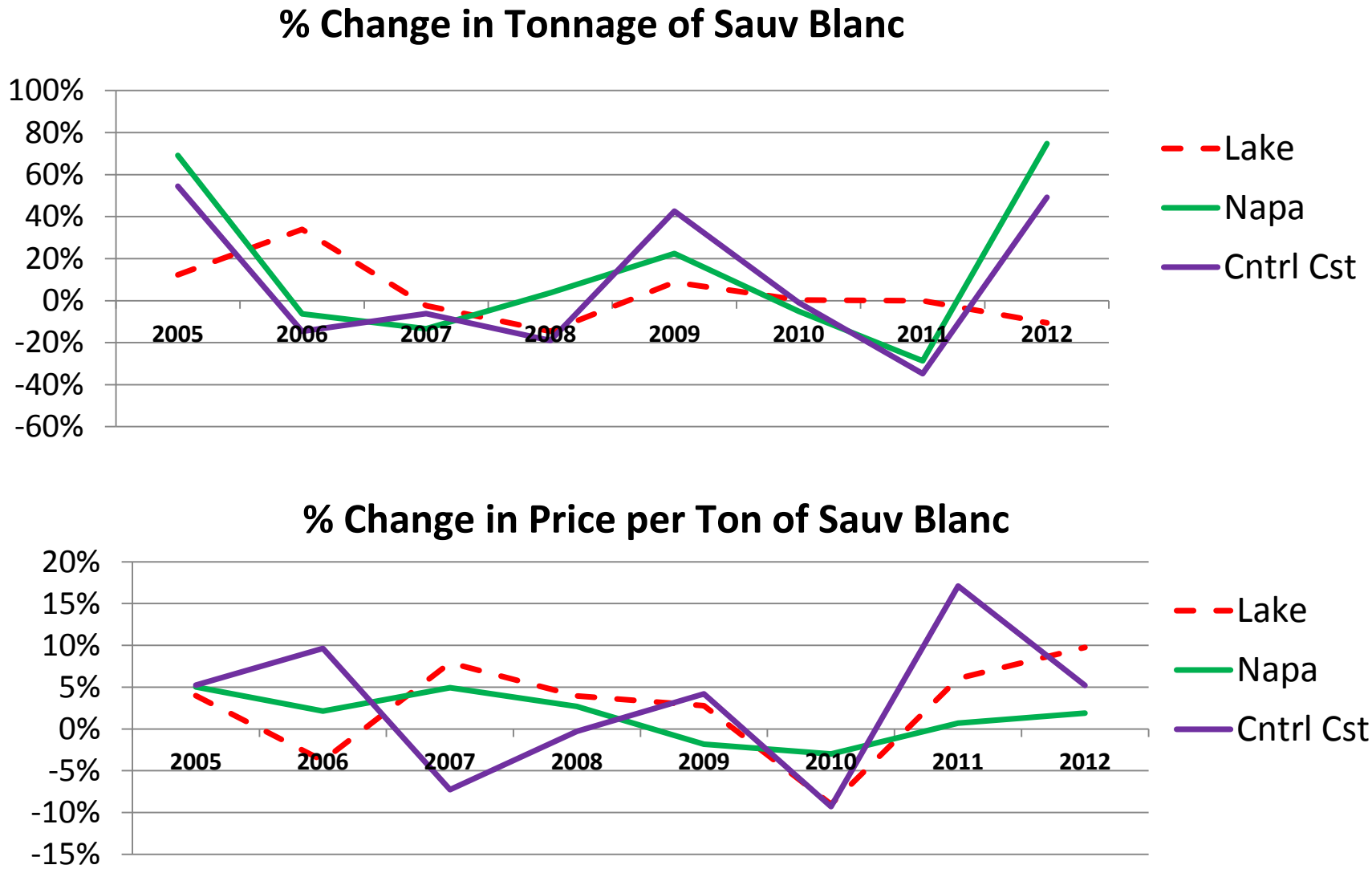
Cabernet Grape Trends 2005 - 2012





Source: CASS, Frank Rimerman

Sauv Blanc Grape Trends 2005 - 2012



Source: CASS, Frank Rimerman

Implications of Napa Blending for Lake County Grapes

2012 Napa Crush	Tons blender needed at 15%	Proportion of Lake Cty 2012 Crush if Lake supplies X%			
		100%	50%	25%	10%
39,256 (CabSauv)	6,928	65%	33%	16%	7%
8,135 (SauvBlanc)	1,436	22%	11%	5%	2%

Note: Lake County 2012 supply = 10,653 tons Lake Cty CabSauv; 6,541 tons Lake Cty SauvBlanc

Source: Full Glass Research, CASS

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National Consumer Panel
Survey – Lake County Data

Panel Sample

- Online survey of Wine Opinions consumer panel January 2014
- Panel targets high frequency & high involvement wine consumers, a segment representing roughly 20 million wine consumers across the U.S., who are responsible for over half the wine purchases $10-20 and over 90% of the purchases over $20.
- N = 772; 2.1-3.5% margin of error at 95CI
- 55% male/45% female gender split; 20% aged 21-37, 27% aged 38-49, 49% aged 50-68, 4% older
- From 47 different states, 25% California
- 87% drink wine more often than once a week; 45% purchase $20+ wine monthly or more often

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Varietal Drinking Frequency 2013 (WO Consumer Panel)

Variety	Frequently	Occasionally	Seldom	Rarely or Never
Cabernet Sauvignon	57%	30%	11%	3%
Merlot	25%	36%	32%	7%
Sauvignon Blanc	34%	36%	23%	8%
Red Blends	62%	29%	8%	1%
Zinfandel	41%	32%	20%	7%
Syrah/Shiraz	36%	39%	20%	6%
Petite Sirah	5%	35%	39%	21%

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Frequency of Retail Wine Purchase by Price Point (750ml pricing)

PRICE SEGMENT	WEEKLY	MONTHLY	SEVERAL TIMES/YEAR	LESS OFTEN	NEVER
Under $10	25%	23%	15%	22%	15%
$10 - $20	30%	40%	20%	8%	2%
$20 - $30	10%	35%	34%	17%	5%
$30 - $50	3%	15%	36%	30%	16%
Over $50	1%	5%	22%	38%	35%

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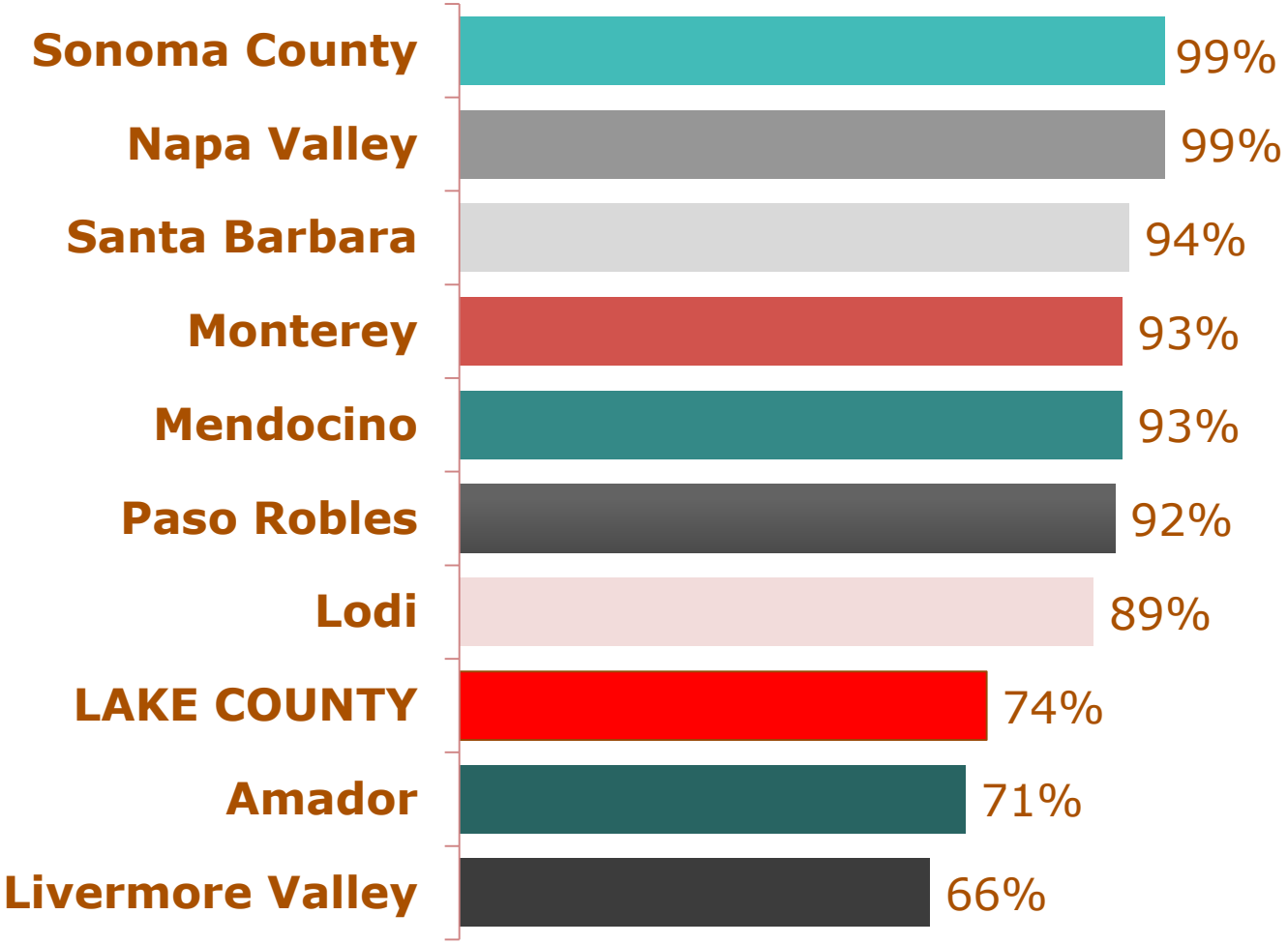
Consumer Awareness by AVA/Region



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Regional Awareness & Trial

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Percent by awareness and trial (past 3 months)

	Have NOT heard of	Heard of, NOT tried	HAVE Tried
LODI	11%	42%	47%
LIVERMORE	34%	50%	16%
LAKE COUNTY	26%	51%	23%
SANTA BARBARA	6%	47%	47%
AMADOR	29%	45%	26%
PASO ROBLES	8%	31%	61%
SONOMA	1%	16%	83%
MONTEREY	7%	48%	45%
NAPA VALLEY	1%	13%	86%
MENDOCINO	7%	49%	44%

Source: Wine Opinions Jan 2014

Regional Awareness & Trial, 2008 vs. 2014

Wine Opinions

Percent by awareness and trial (past 3 months)

	Have NOT heard of		Heard of NOT tried		HAVE Tried	
	2008	2014	2008	2014	2008	2014
LODI	27%	11%	44%	42%	29%	47%
LIVERMORE	52%	34%	40%	50%	8%	16%
LAKE COUNTY	39%	26%	47%	51%	14%	23%
SANTA BARBARA	7%	6%	53%	47%	39%	47%
AMADOR	49%	30%	32%	44%	19%	26%
PASO ROBLES	19%	8%	31%	31%	51%	61%
SONOMA	2%	1%	19%	16%	79%	83%
MONTEREY	7%	7%	55%	48%	50%	45%
NAPA VALLEY	1%	1%	17%	13%	83%	86%
MENDOCINO	12%	7%	47%	49%	41%	44%

Source: Wine Opinions Jan 2014

Regional Associations with White Varieties 2014

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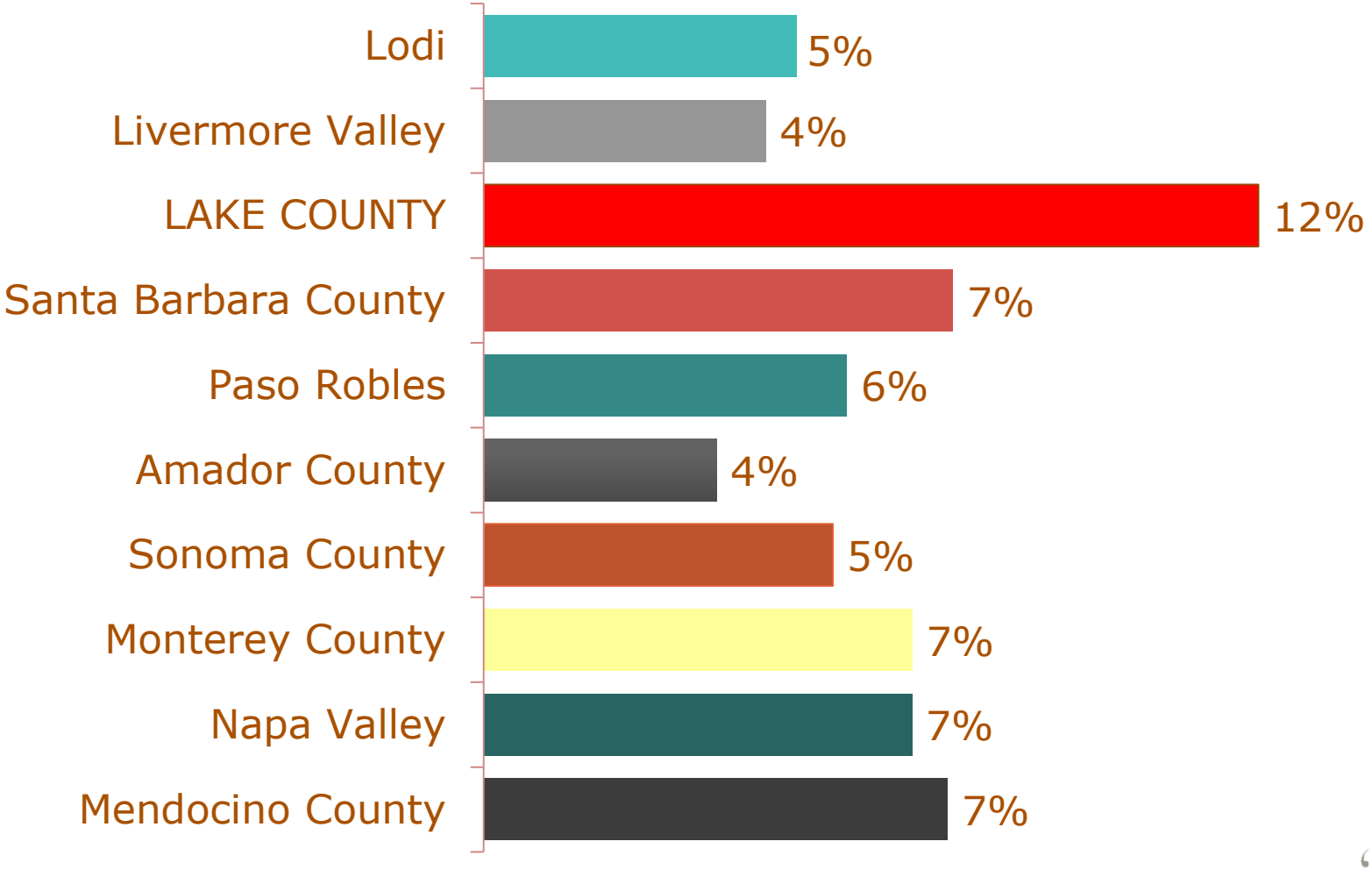
Percent associating

	Leading Varietals	Many different	Don't know
Lodi	**OTHER 18**%, CHARD 13%,	16%	38%
Livermore Valley	CH ARD 13%, SB 4%	12%	59%
LAKE CTY	CHARD 12%, **SB 12**%, OTHER 6%	11%	51%
Santa Barbara County	**CHARD 30%,** PG & SB 7%	18%	25%
Amador County	OTHER 12%, CHARD 5%	13%	58%
Paso Robles	CHARD 12%, OTHER 16%, **VIO 10**%	24%	25%
Sonoma County	**CH 43%,** SB 5%	33%	9%
Monterey County	**CH 33%,** SB 7%, OTHER 6%	21%	25%
Napa Valley	**CH 40%,** SB 7%, OTHER 6%	40%	5%
Mendocino	CH 14%, OTHER 8%, SB/PG 7%	22%	37%

% Associating Sauvignon Blanc with each Region/AVA



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Association of Regions with Sauvignon Blanc, 2008-2014

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Percent associating varietals with regions

Region	2008	2014
Lake County	9%	12%
Napa Valley	4%	7%
Mendocino	6%	7%
Paso Robles	4%	6%
Lodi	2%	5%

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Regional Associations with Red Varietals, 2008

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Percent associating

	Leading Varietals	Many different	Don't know
Lodi	**ZIN 49%,** CAB 6%, MER 6%	9%	23%
Livermore Valley	CAB 10%, PS 6%	10%	58%
LAKE COUNTY	CAB 14%, PN 6%, MER 5%, ZIN/PS 4%	13%	48%
Santa Barbara County	**PN 39%,** CAB 8%, MER/SYR 5%	15%	22%
Amador County	**ZIN 28%**	9%	45%
Paso Robles	CAB 15%, ZIN 14%, **SYR 13%,** PN 9%	23%	13%
Sonoma County	**CAB 24%,** PN 17%, MER/ZIN 5%	38%	7%
Monterey County	**PN 28%,** CAB 8%, MER 8%	21%	26%
Napa Valley	**CAB 56%**	33%	4%
Mendocino County	PN 18%, CAB 8%, ZIN 5%	24%	32%

Association of Regions with Cabernet Sauvignon, 2008 vs. 2014

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Percent associating varietals with regions

	2008	2014
Lake County	8%	14%
Napa Valley	50%	56%
Paso Robles	12%	15%
Mendocino	7%	8%
Lodi	6%	6%

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Quality Ratings: Lake County vs. Key Competitors

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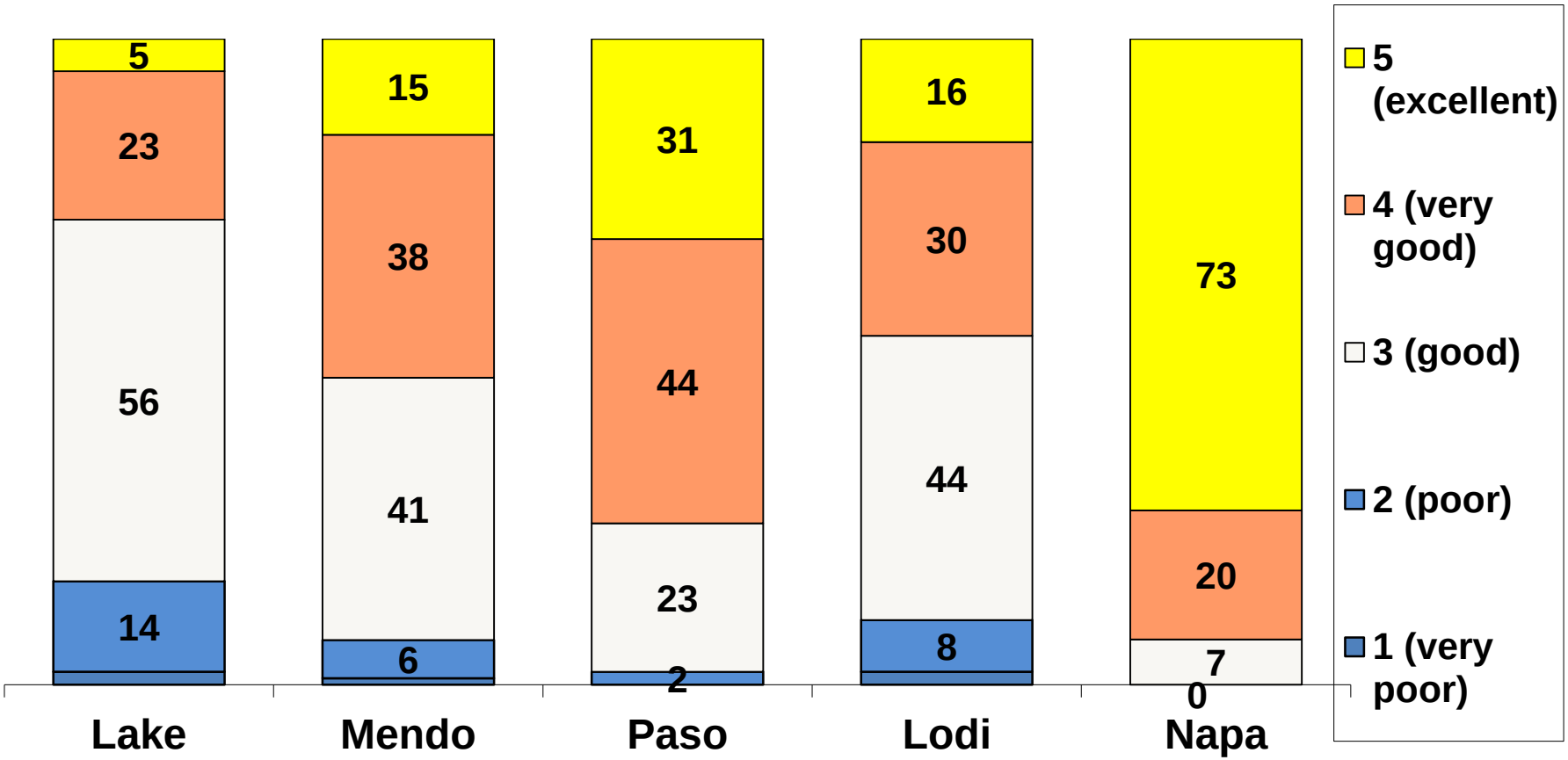
% Rating on a 5 point scale



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Value Ratings: Lake County vs. Key Competitors

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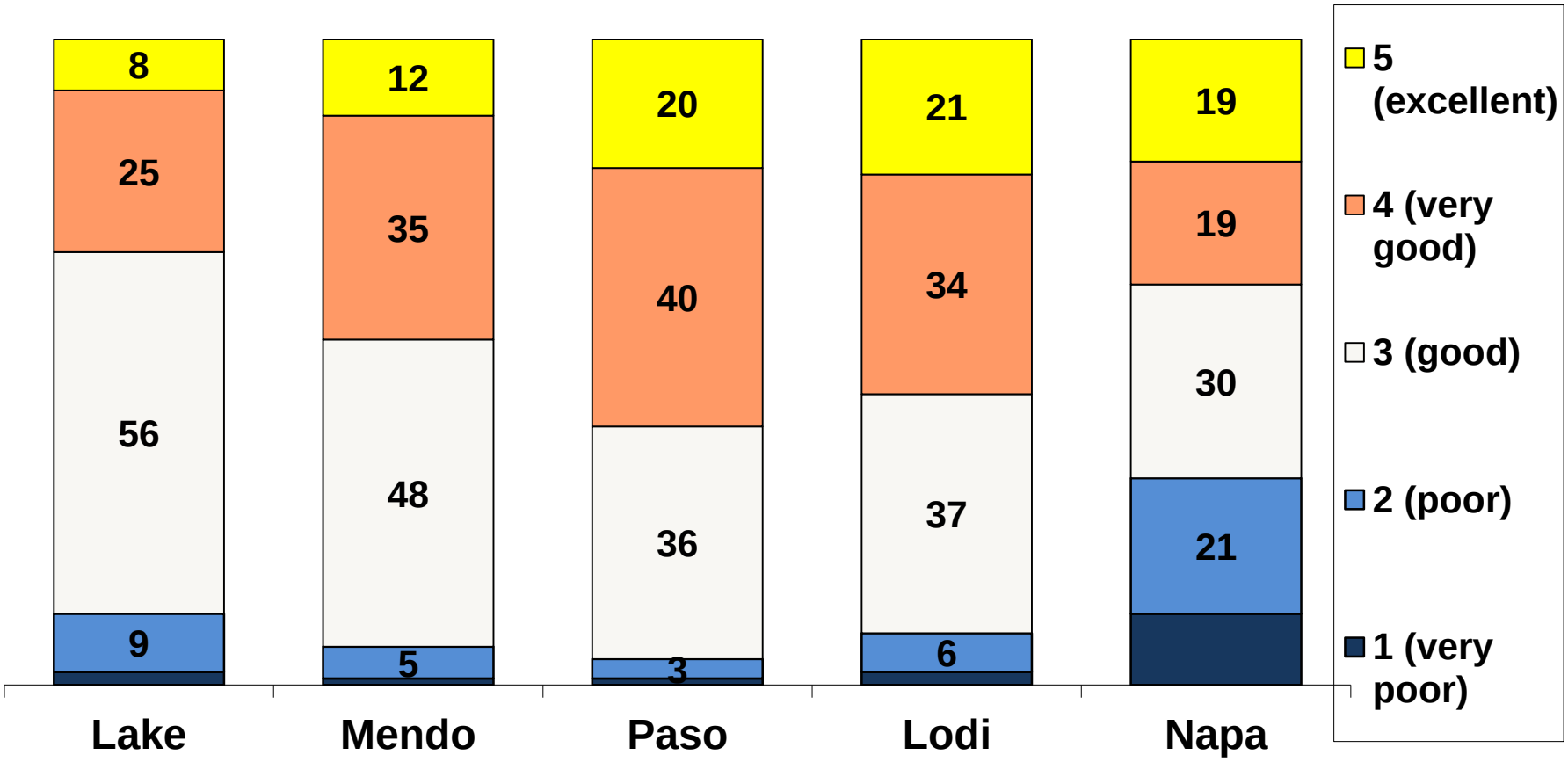
% Rating on a 5 point scale



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Quality & Value Ratings: Lake County 2008 vs 2014

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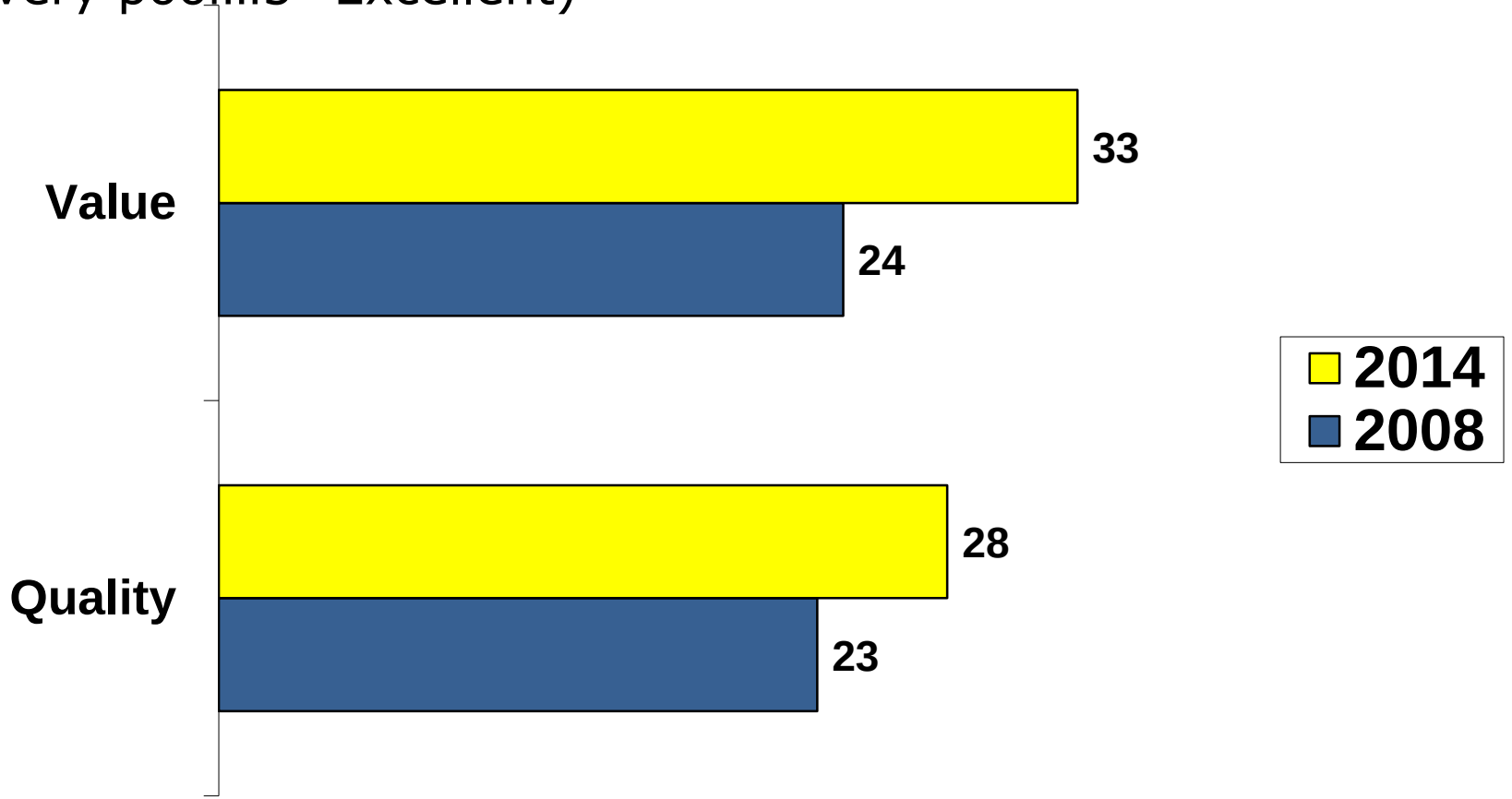
Percentage rating Lake County 4 or 5 on 5-point scale
(1=very poor…5=Excellent)



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Mean Quality & Value Ratings by Region 2008 vs. 2014

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	QUALITY		VALUE	
	2008	2014	2008	2014
Lodi	3.2	3.5	3.3	3.7
Livermore Valley	2.8	3.1	2.9	3.2
LAKE COUNTY	3.0	3.1	3.0	3.3
Santa Barbara County	3.7	3.8	3.2	3.4
Paso Robles	3.9	4.0	3.5	3.8
Amador County	3.2	3.3	3.2	3.4
Sonoma County	4.2	4.5	3.4	3.7
Monterey County	3.6	3.7	3.3	3.5
Napa Valley	4.4	4.6	3.1	3.2
Mendocino County	3.6	3.6	3.3	3.5

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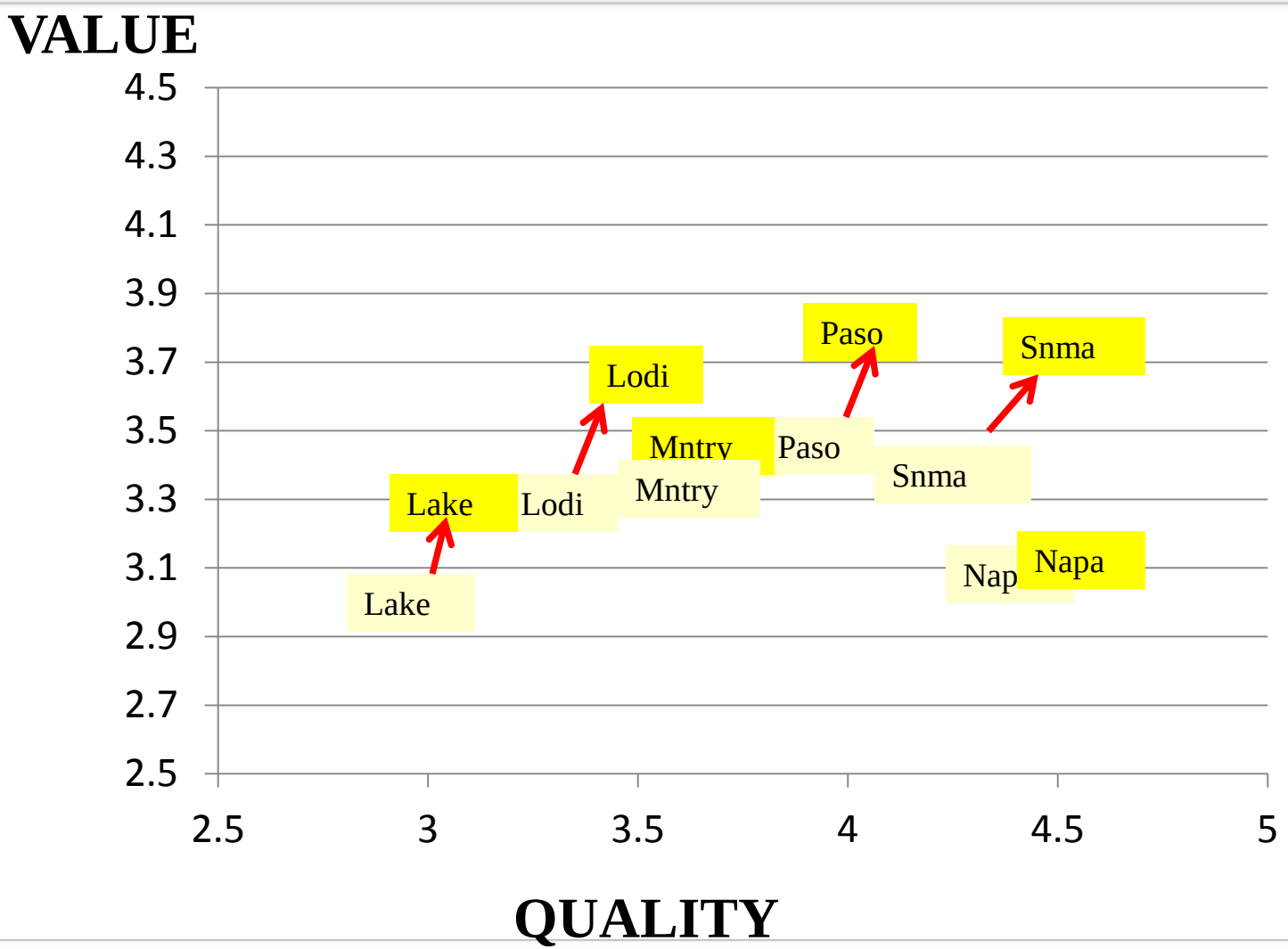
Change in Quality/Value Positioning for Select Regions 2008 vs. 2014



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