

The SVB logo consists of the letters 'svb' in a white, lowercase, sans-serif font, set against a solid blue rectangular background.

Silicon Valley Bank

# 2021 SVB Annual Direct-to-Consumer Wine Report Virtual Event

Tuesday, May 25, 2021  
9:00 a.m. – 10:30 a.m. PDT



svb



Silicon Valley Bank

# Featured Speakers



**Aileen Sevier**

*Vice President of Strategy  
& Marketing  
Early Mountain Vineyards*



**Janiene Ullrich**

*Direct to Consumer  
Executive Vice President  
The Family Coppola*



**Paul Mabray**

*CEO  
Pix*

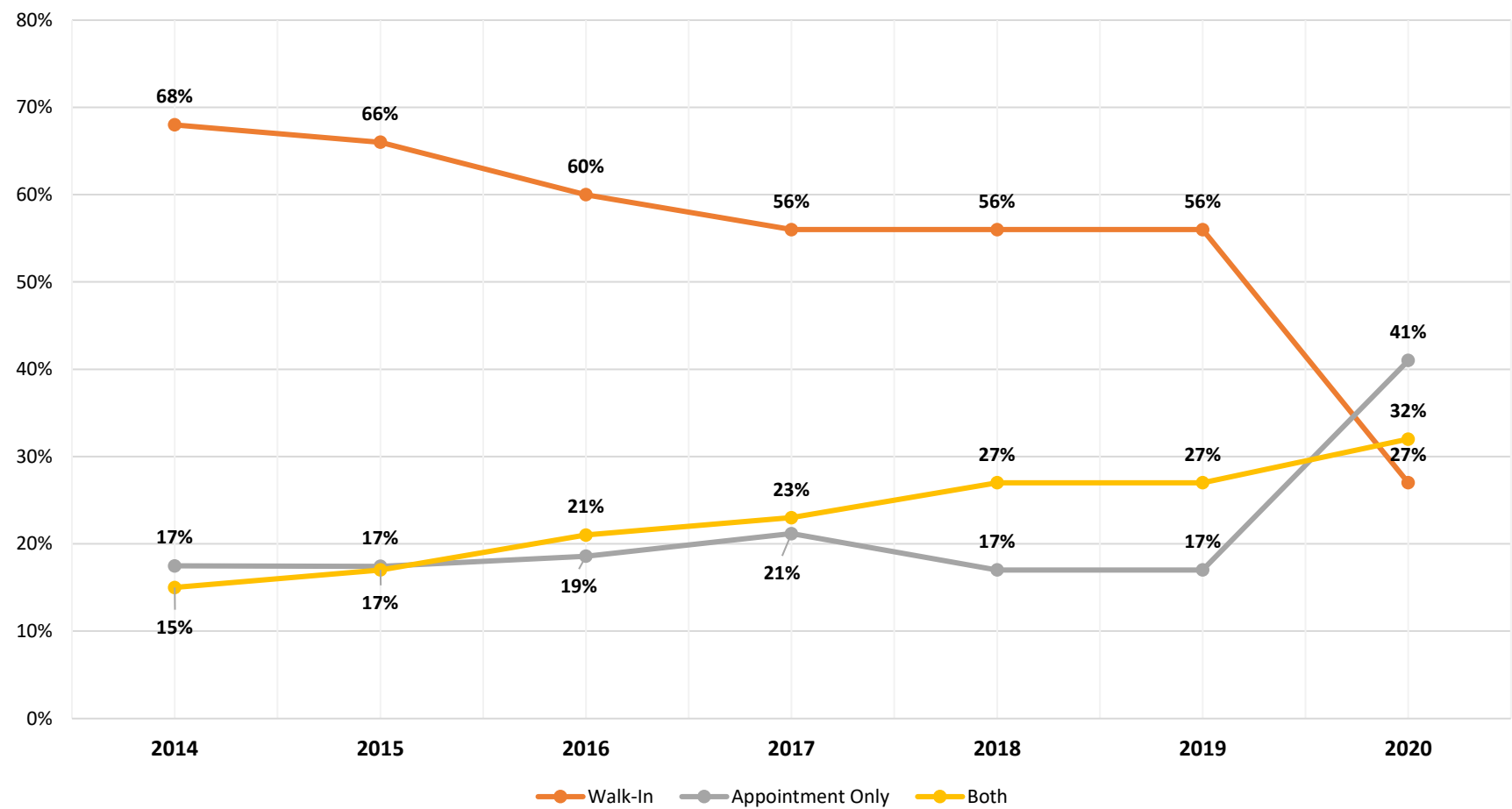


**Rob McMillan**

*EVP & Founder  
Silicon Valley Bank  
Wine Division*

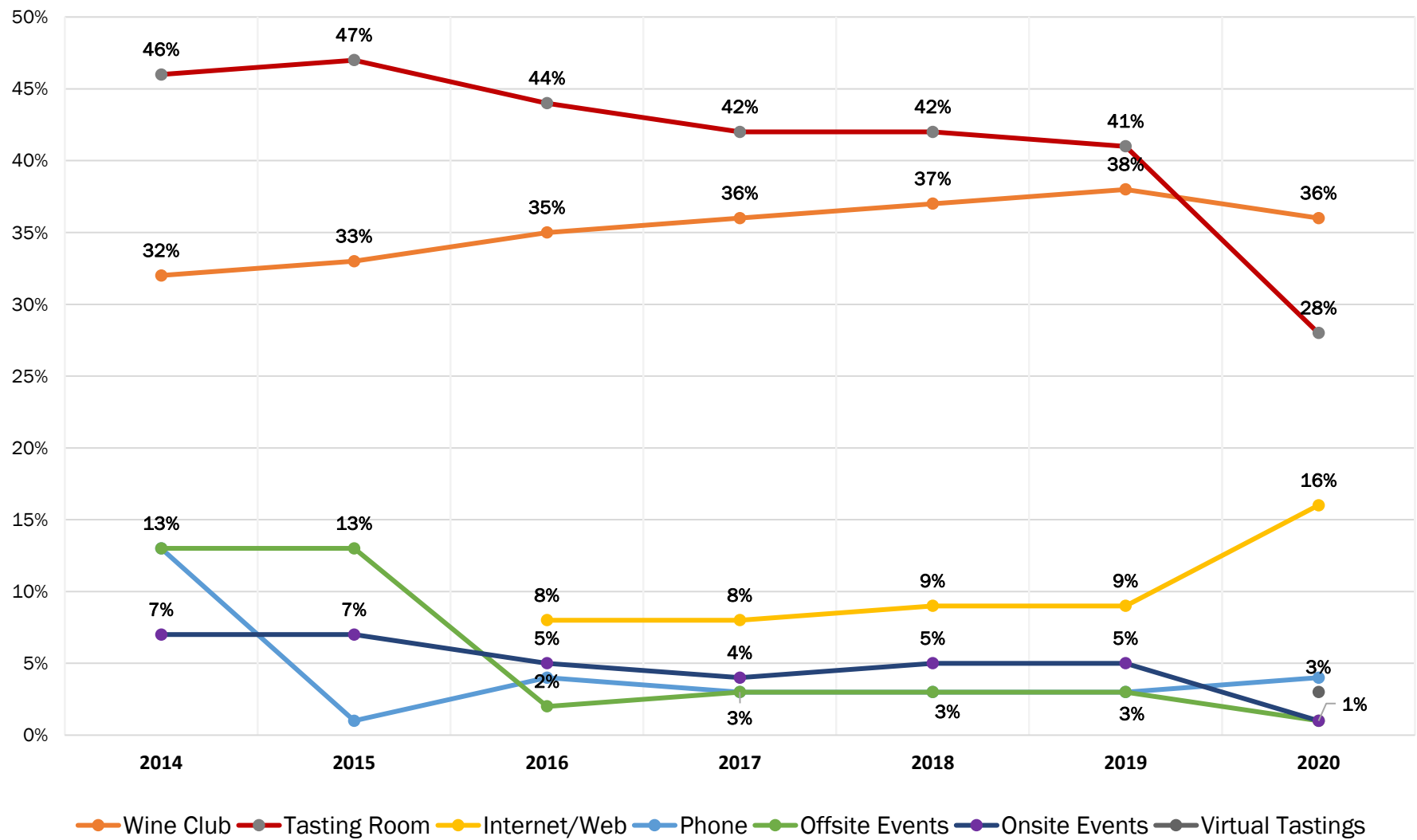
# Percentage of Wineries that are Walk-In or By-Appointment

*2020 Pushed the By-Appointment Model to the Forefront*

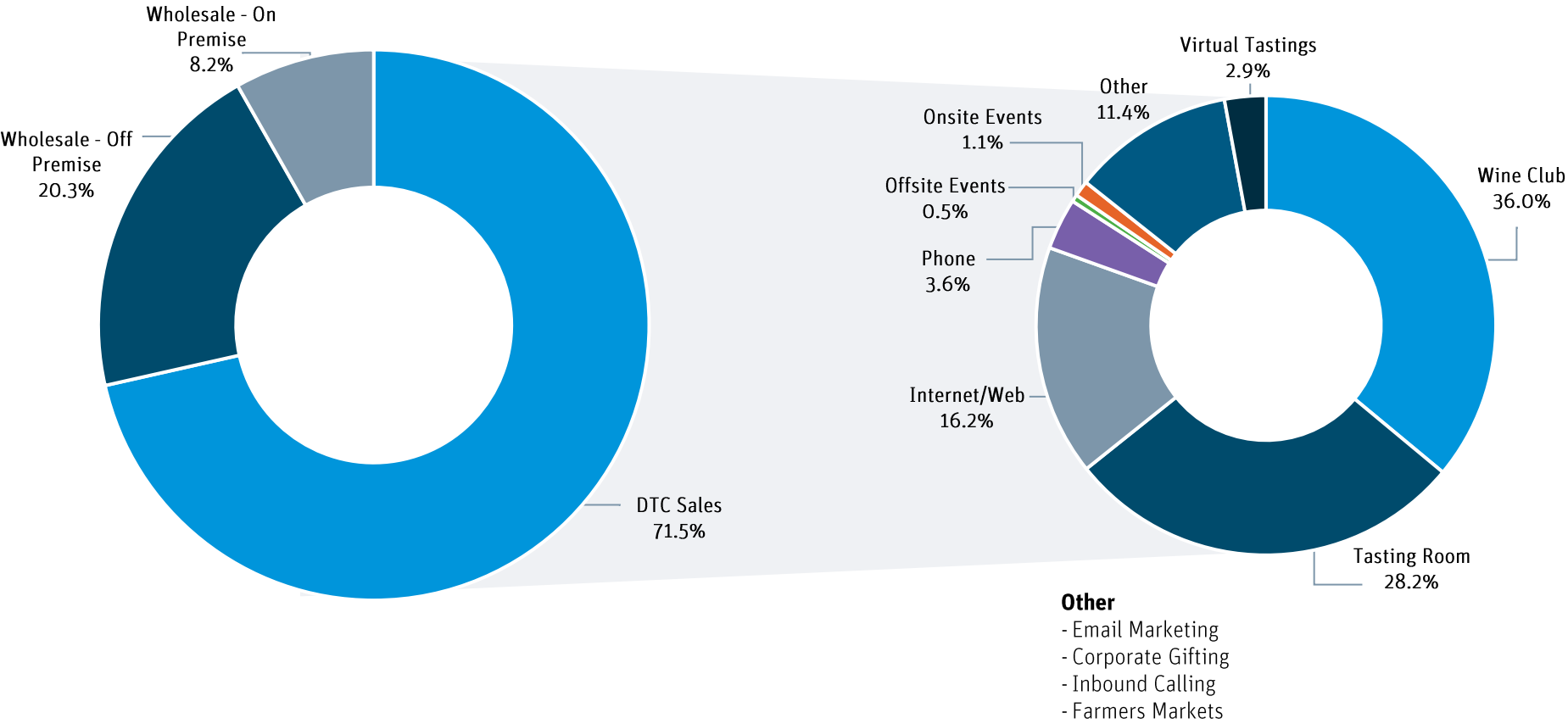


# Trended Composition of DtC Sales

## Club and Digital Sales Moving up in Importance



# 2021 Channel Breakout of Direct Sales for the Average Winery



With tasting rooms restricted during the year, events and tasting room sales were hurt. Restaurant closings also hurt on-premise sales while grocery, for those with wholesale, did well.

Club, phone and several new outreach efforts did well in 2020 while internet sales exploded higher. Each offers marginal growth opportunities in the future for wineries investing in those sales channels.

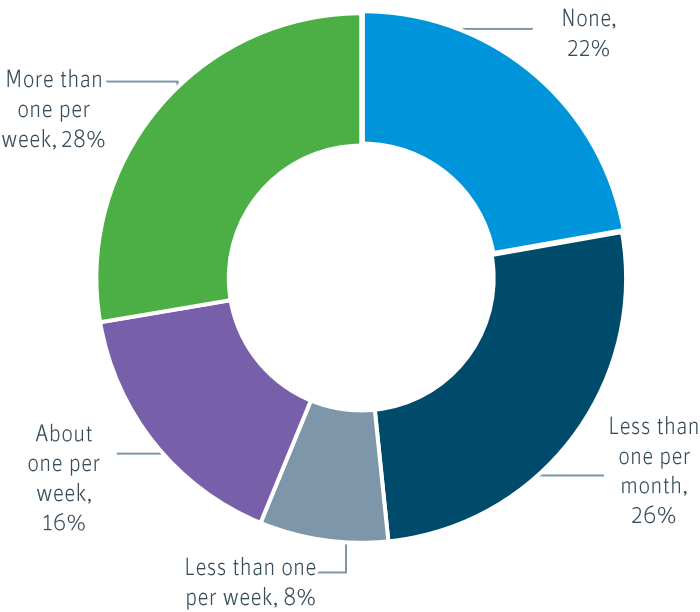
# Virtual Tastings Took Flight in 2020

Zoom tastings became synonymous with digital tastings in 2020. Along with enhanced revenue and connection, about 20% of new club members came from digital.

The industry responded to S.I.P. orders with 44% hosting digital tastings once a week or more, and only 22% not taking the leap.

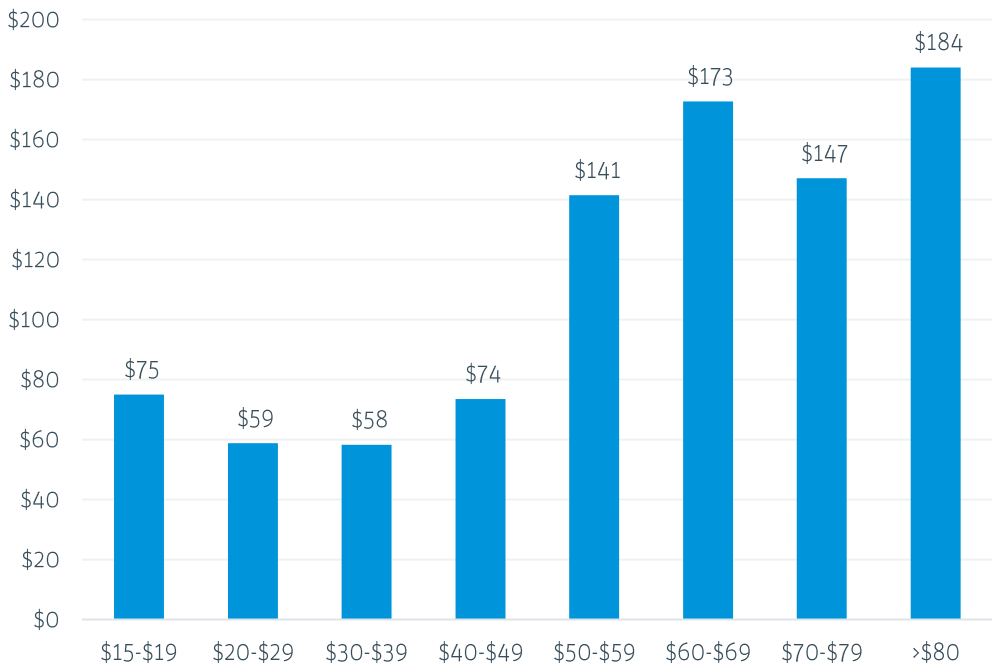
Getting a read on tasting fees for virtual tastings was clouded as there were a variety of offering types, with wine or food included or not, but still a consideration in tasting fee pricing strategy.

How often did you run a digital tasting?

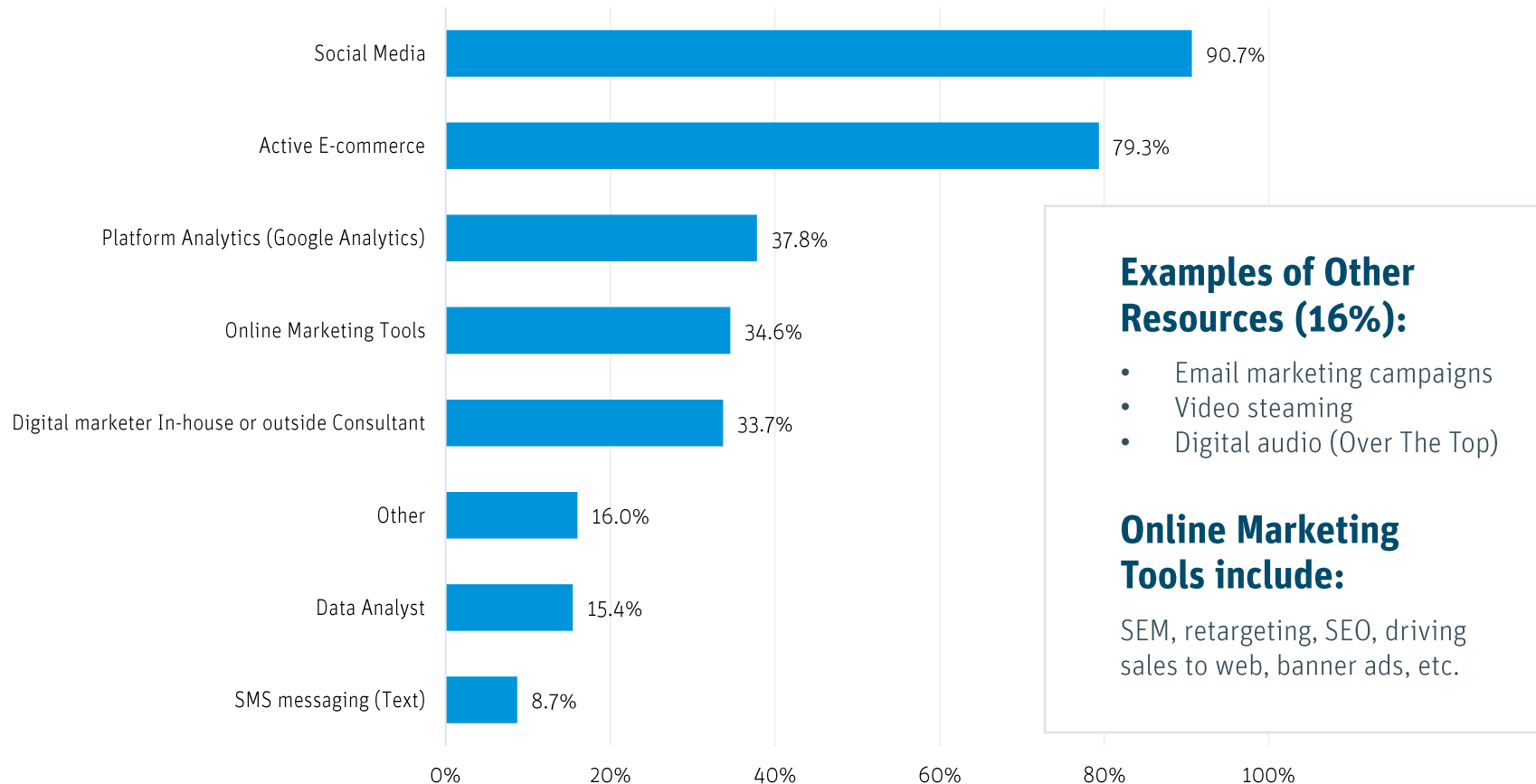


How much did you charge for a virtual tasting?

Virtual Tasting Fees by Suggested Retail Bottle Price

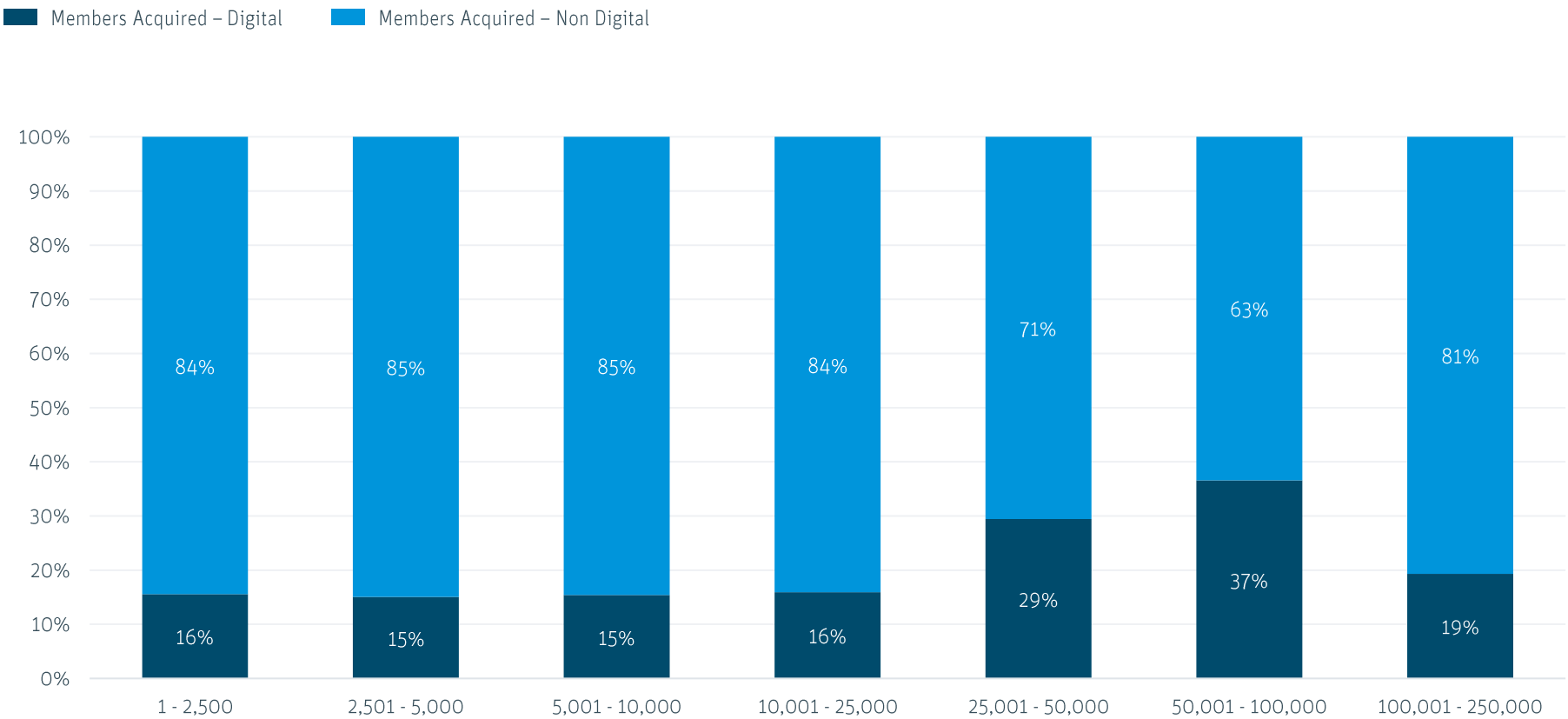


# What digital platforms do you employ?



The use of digital is widespread but not deep in the wine business. The majority use Social Media and Active E-commerce. Yet only one-third use Platform Analytics, which indicates the overall depth and use of Active E-commerce is limited, and true ecommerce something we need to invest in and improve.

# Club Memberships Generated through Digital Mediums by Case Production



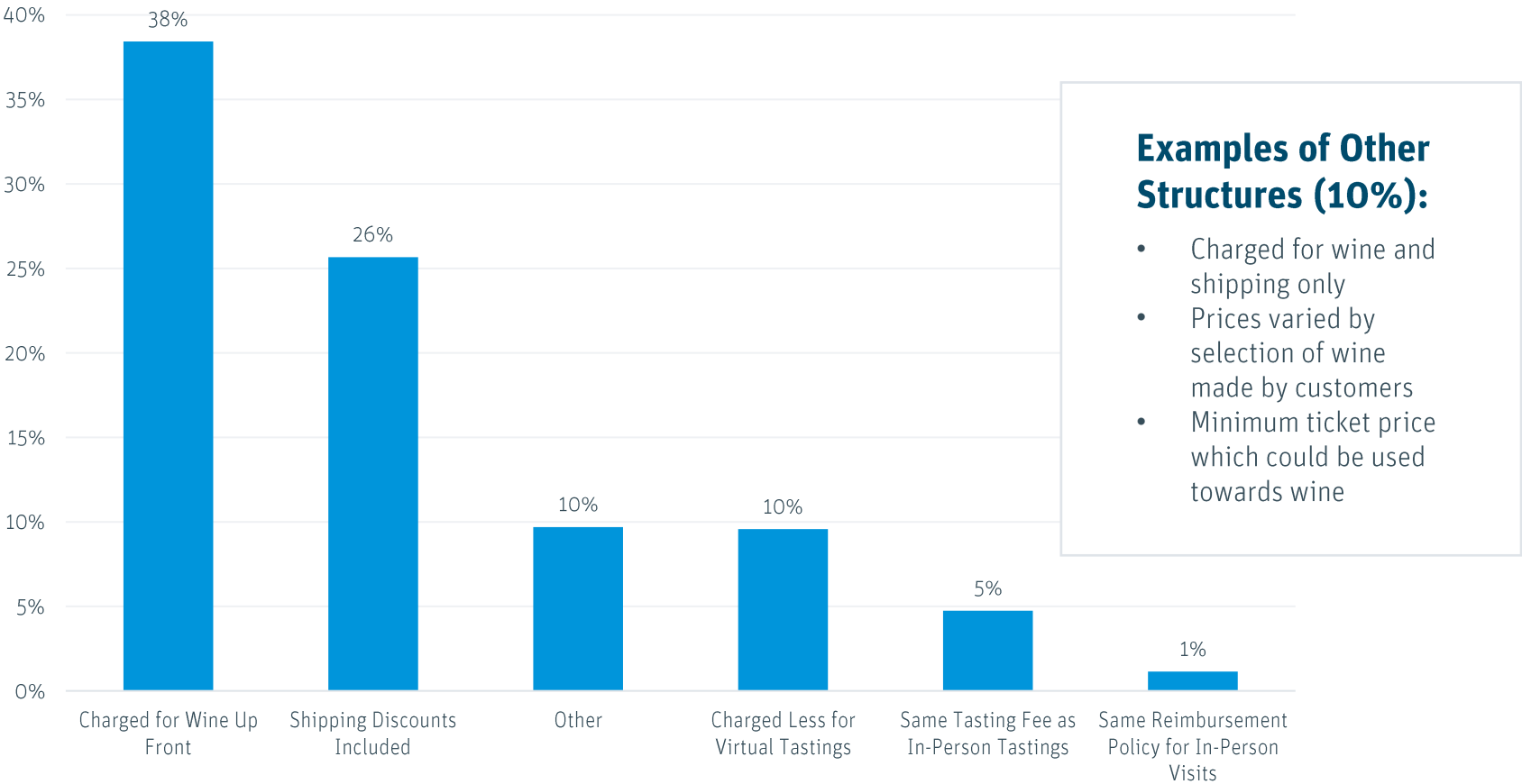
As tasting rooms fully closed at times in 2020 due to COVID, owners worried about the sustainability of club income without the ability to refresh member numbers, which before 2020 was always an activity associated with the tasting room.

The industry discovered how to gain memberships via digital means with 20% of new members reported as coming through digital paths.

Moving forward, tracking and driving growth in club memberships outside of the tasting room should be a goal of all wineries with clubs.

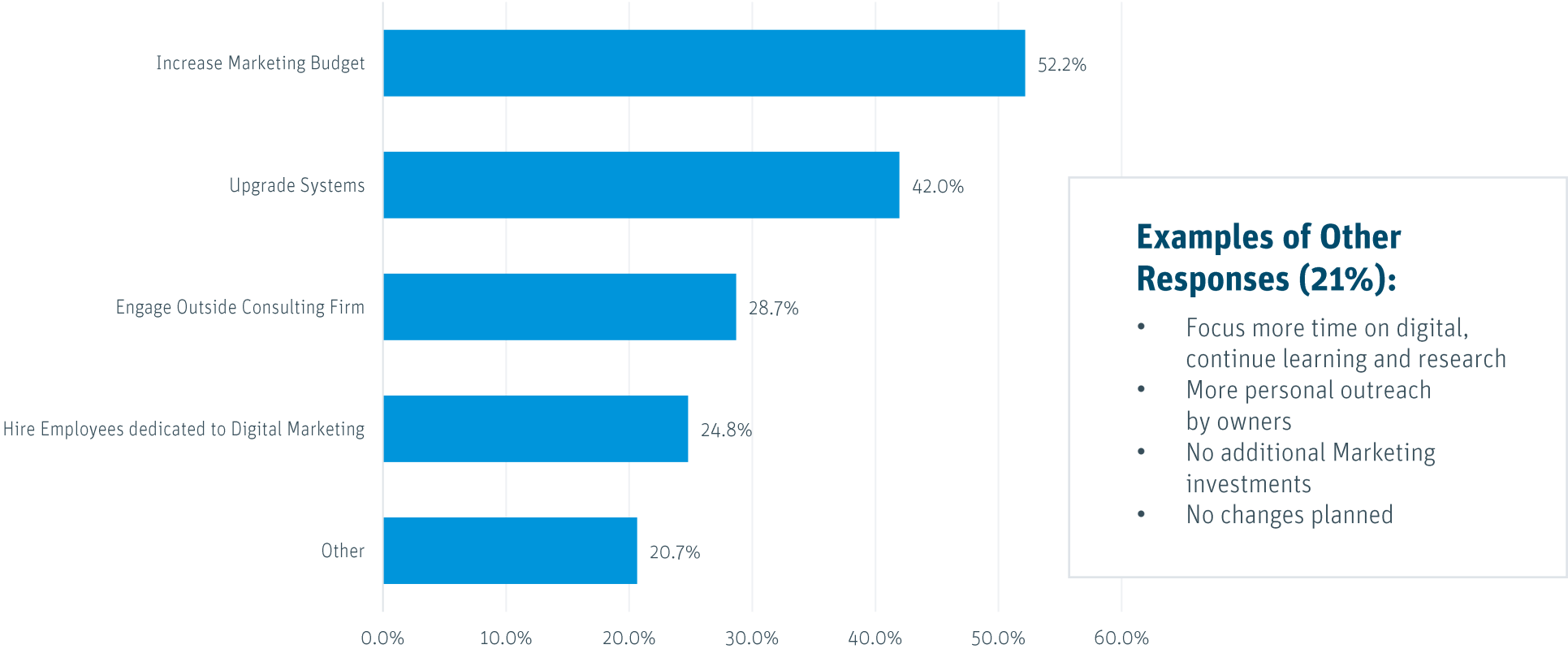


# Virtual Tastings - Pricing and Discount Structure



As wineries offered varied options with Zoom tastings including charging for wine up front (38%), the question should be asked, what of the digital strategies could we employ to broaden our on-site tasting room offerings. Perhaps we should consider charging for wine up front too?

# Planned Digital Marketing Investments for 2021\*

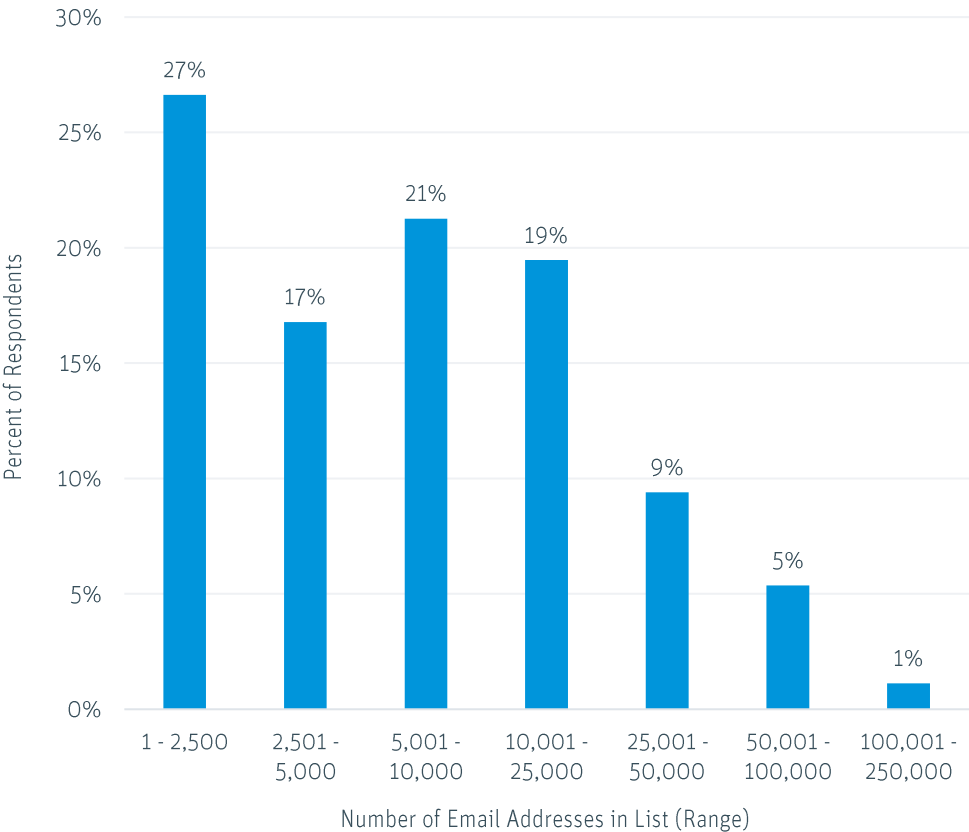


# Use of Email Marketing

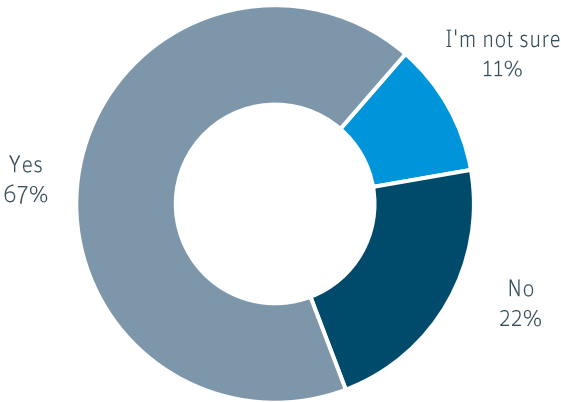
When we asked the question about size a decade ago, the average email list was less than 5k names. Today that has ballooned to more than 15k with an average email contact to case production ratio of 1.8:1. How do you benchmark against that. Do you have 1.8 good contacts for every case you produce?

The hygiene of lists is improving but 22% of respondents report they never clean their contact lists, which can be a drag on success and potentially in conflict with recent privacy statutes.

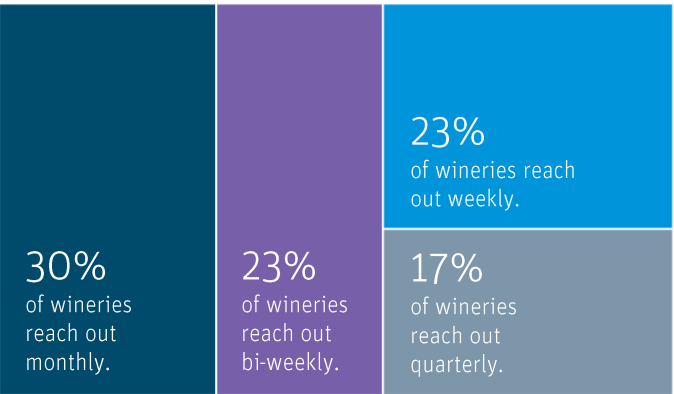
Size of Email List



Do you remove inactive emails from your email list annually or more often?

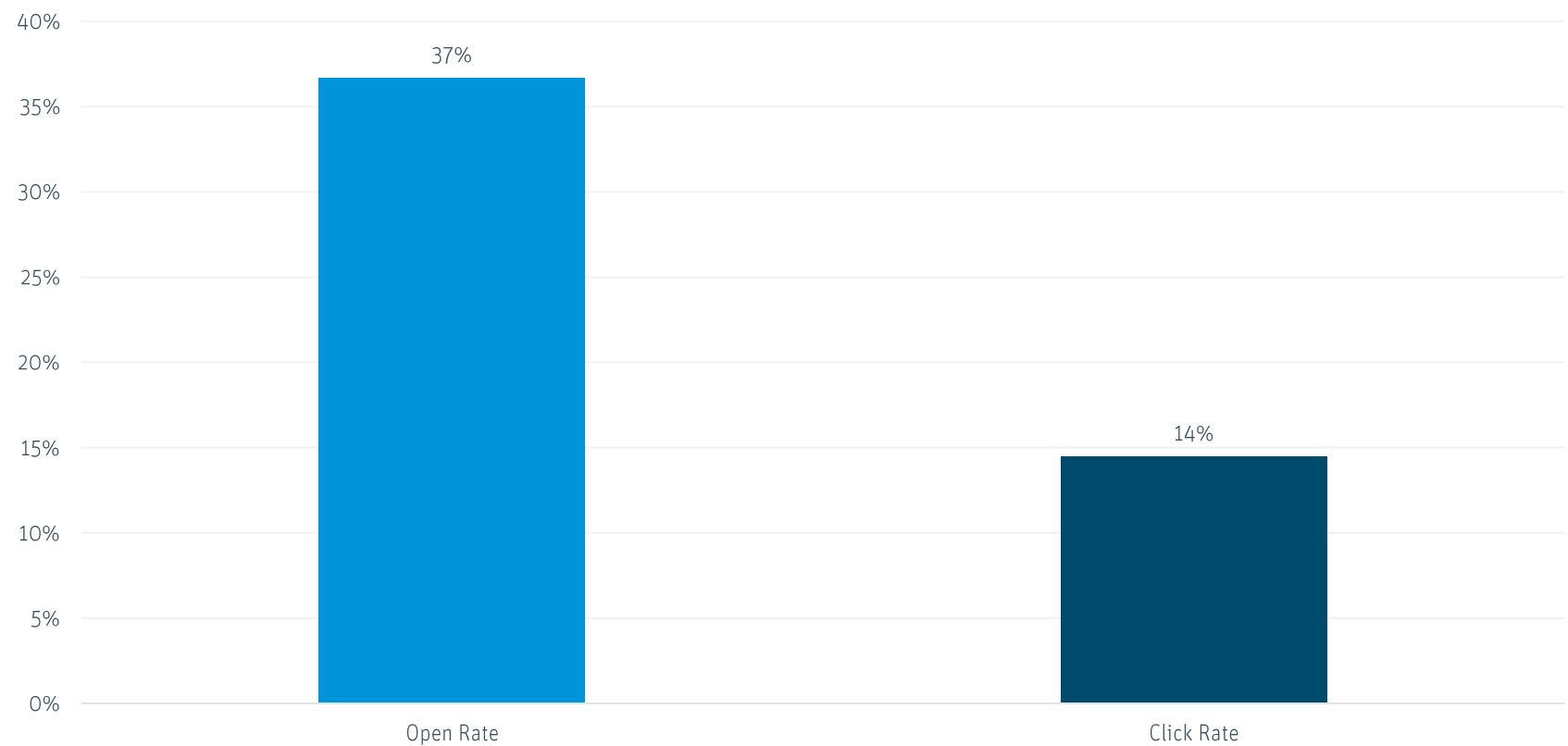


Frequency of Outreach



Less than quarterly 5% | Targeted daily 1% | I'm not sure 1%

# Average Email Marketing Open and Click Rates



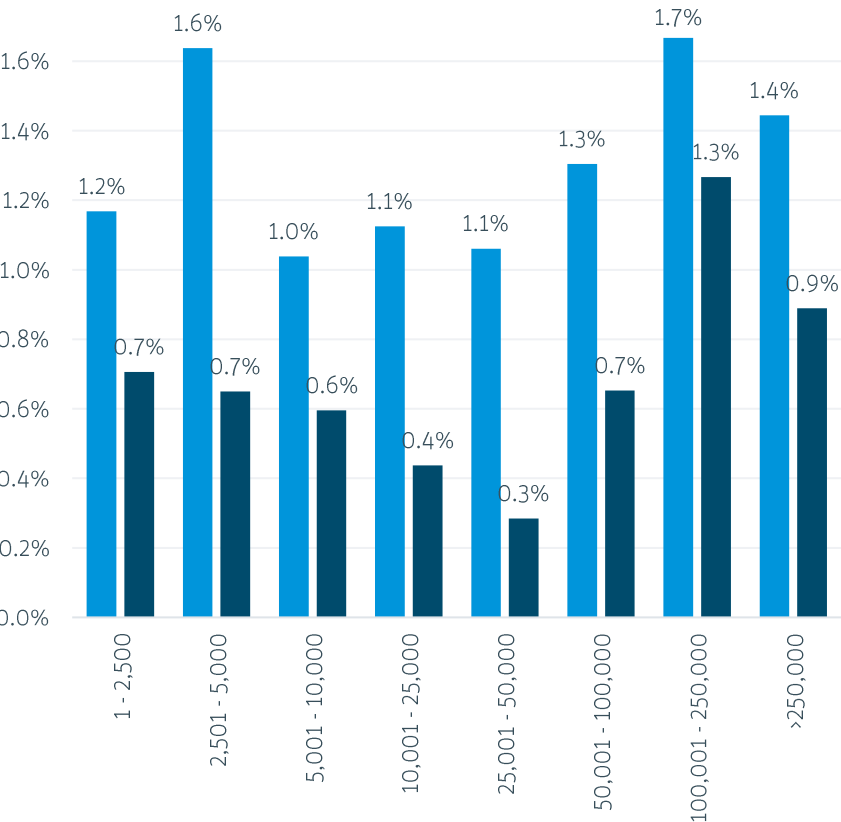


# Annual Spend on Social Media & Search Engine Marketing

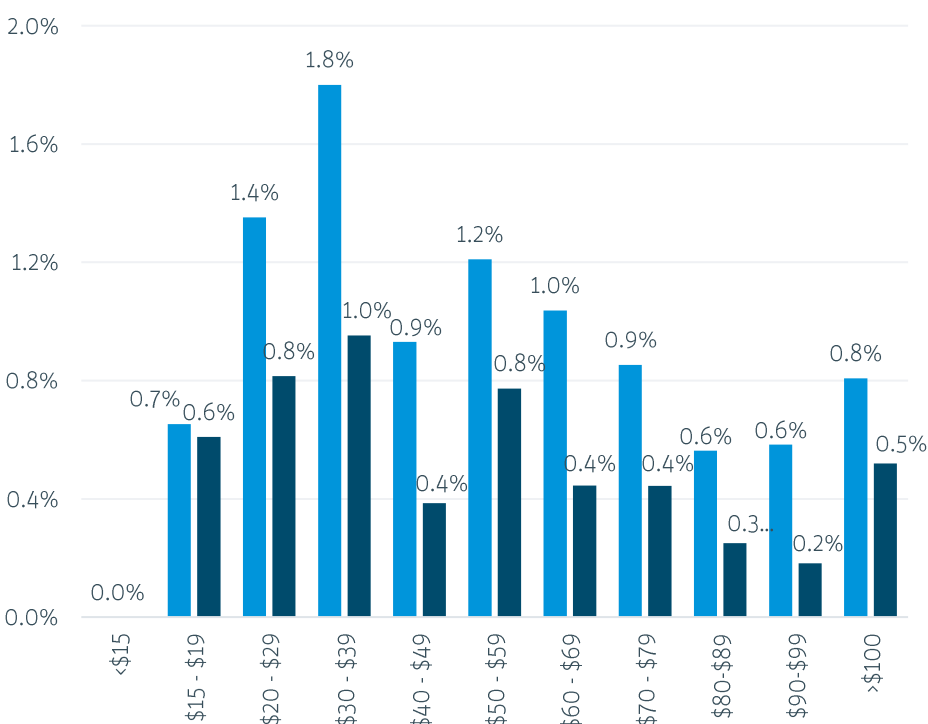
(As a Percent of Total Sales)

Spend on Social Media Marketing   Spend on Search Engine Marketing

Spend by Case Production



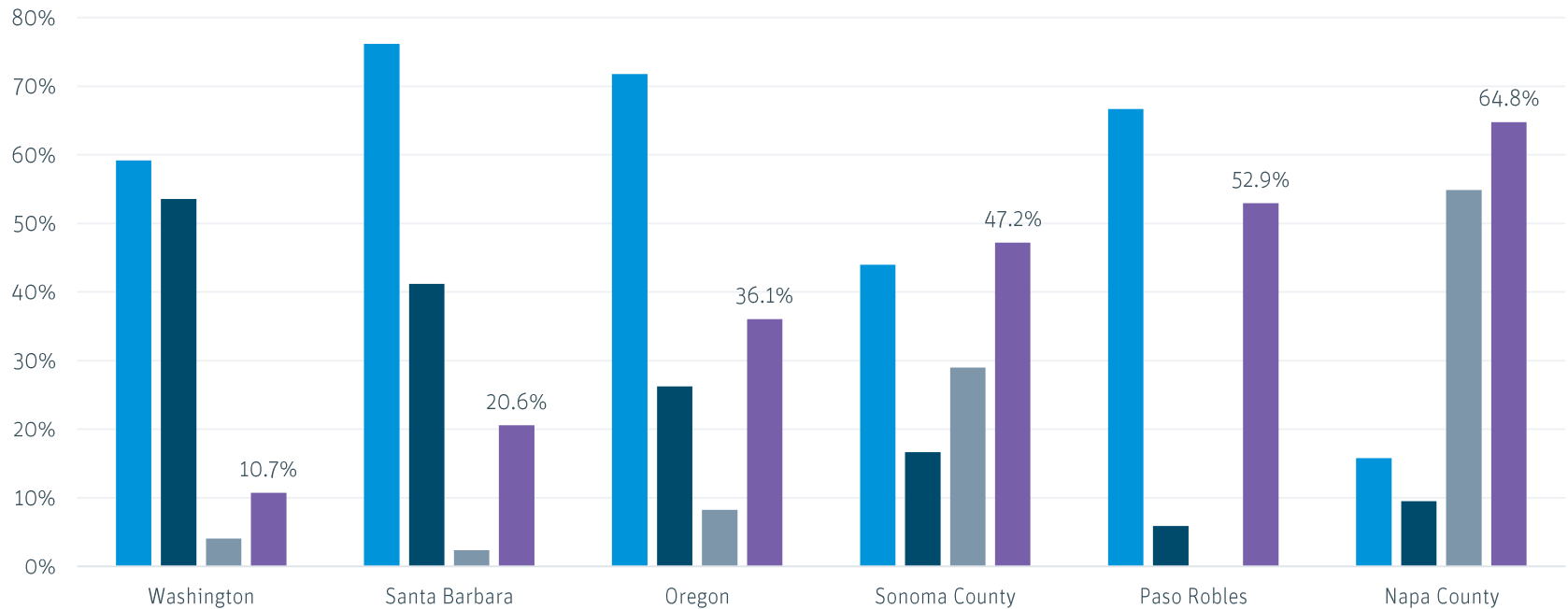
Spend by Suggested Retail Bottle Price



While 80% - 90% of the industry report active social and ecommerce programs, the spend in digital marketing averages between 1% - 1.5% of sales. Larger wineries with lower priced wines spend slightly more than smaller counterparts.

# Trend of By Appointment and Walk In by Region

Walk In 2019   Walk In 2021   By Appointment 2019   By Appointment 2021



Walk In 2019	59.2%	76.2%	71.8%	44.0%	66.7%	15.8%
Walk In 2021	53.6%	41.2%	26.2%	16.7%	5.9%	9.5%
By Appointment 2019	4.1%	2.4%	8.2%	29.0%	0.0%	54.9%
By Appointment 2021	10.7%	20.6%	36.1%	47.2%	52.9%	64.8%

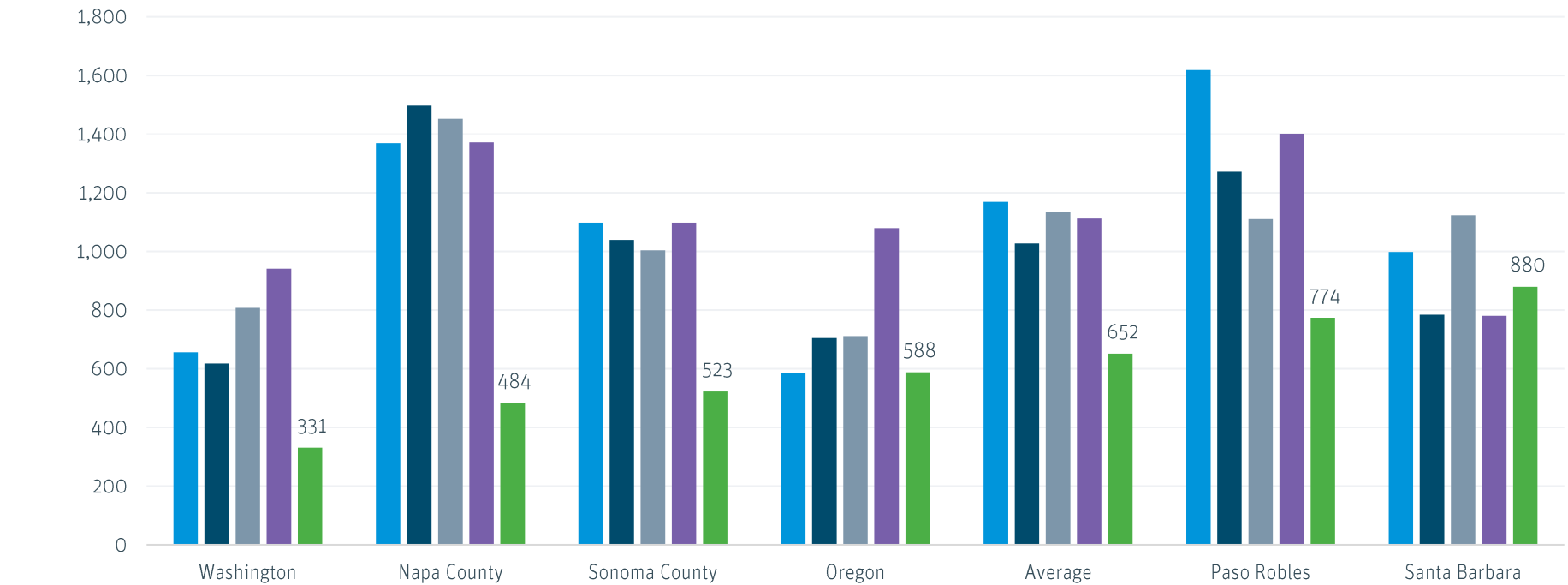
Regional health mandates varied and the timing of establishing and relaxing restrictions, and that continues to evolve.

Sonoma and Napa were the only regions using by-appointment to any significant degree in 2019. By 2021, all regions increased the percentage of customers they were seeing with appointments.

Many wineries who were forced to switch from a walk-in model, have commented to us that they will retain the practice going forward.

# Average Monthly Visitors to the Winery by Region

2016 2017 2018 2019 2021



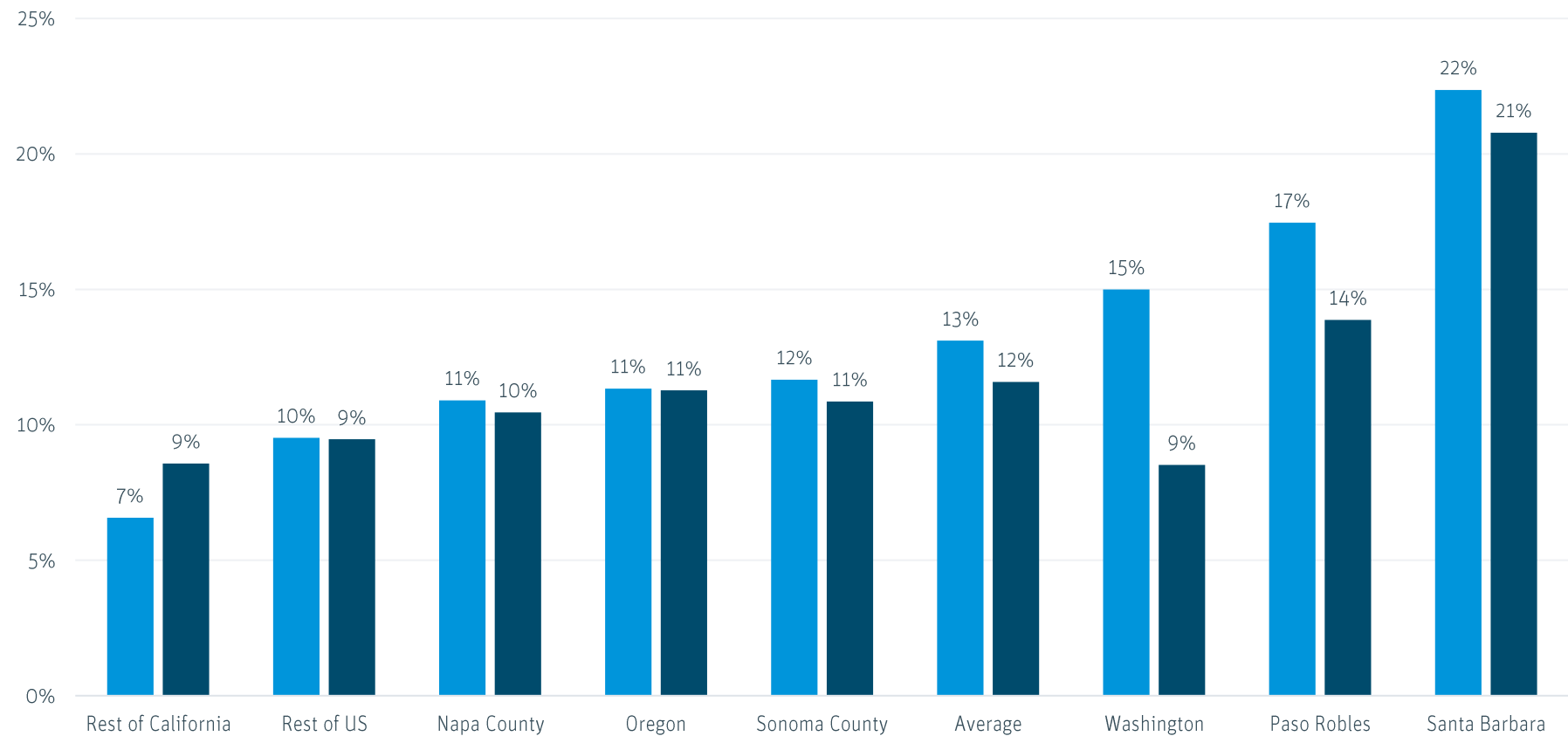
2016	656	1,369	1,099	587	1,169	1,619	998
2017	618	1,497	1,039	705	1,027	1,272	784
2018	808	1,453	1,004	712	1,136	1,110	1,124
2019	942	1,372	1,098	1,079	1,112	1,402	781
2021	331	484	523	588	652	774	880

COVID restrictions made for significant reductions in tasting room visitation in all regions with the exception of Santa Barbara which showed a small increase.

# Change in DtC Cases and Dollar Sales by Region

Change in DTC Cases Sold   Change in DTC Sales (Dollars)

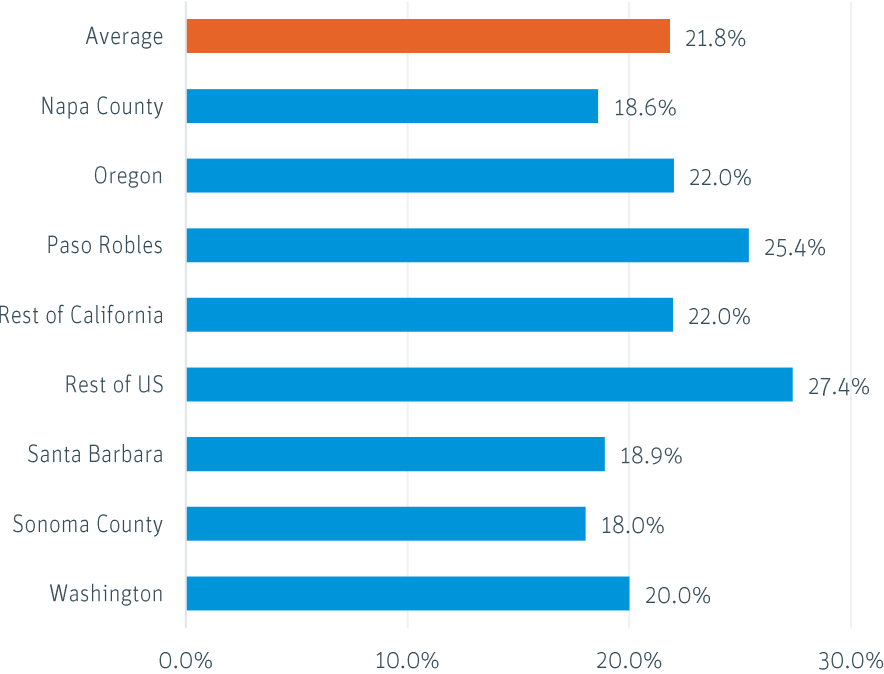
While smaller wineries lost out on much of the growth from on-premise sales in 2020, they were able to adapt and move sales through club and internet, though discounting was used widely. That shows in the data when the change in cases sold, exceeds the change in sales by dollars.



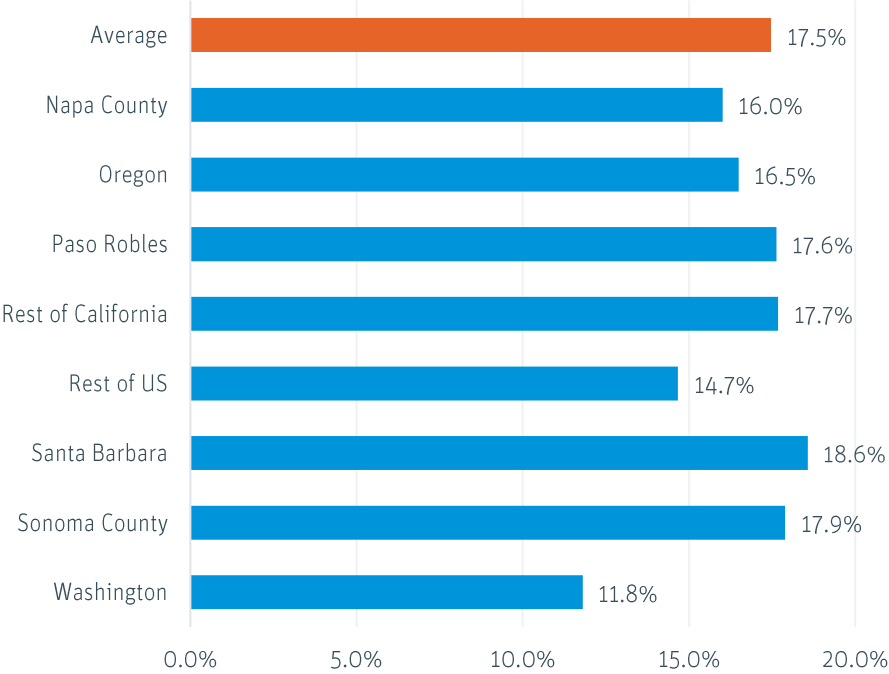


# Wine Club Growth and Attrition Rates

Growth Rate in New Wine Club Members\*



Attrition of Wine Club Members\*\*

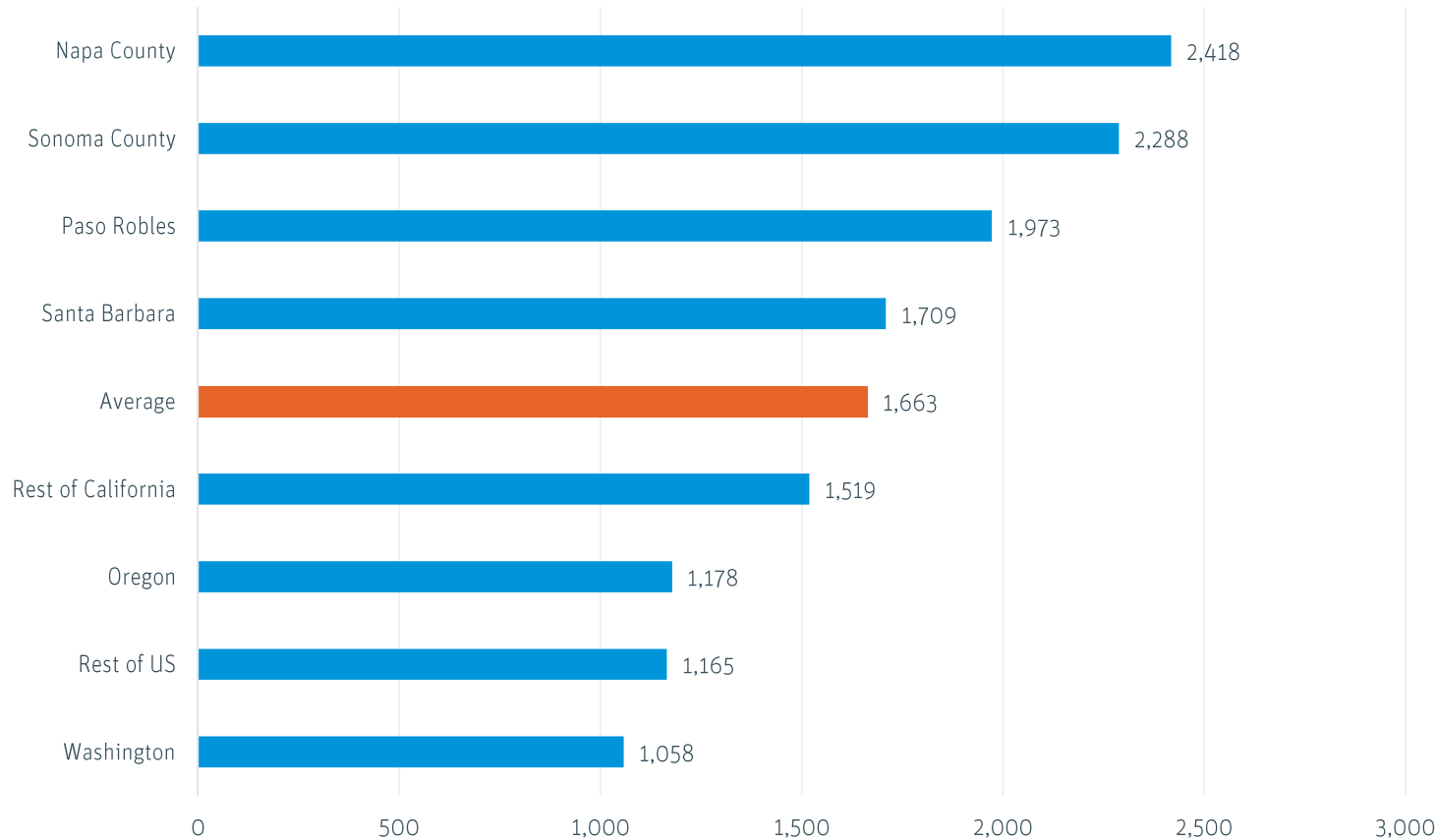


It's useful to look at the growth in new club members, along with attrition rather than net growth. It's far more profitable to grow by 5% and lose 5% for a net zero, than grow 20% and lose 20%.

In the COVID period, it's probably surprising to see growth of any kind given club growth has historically been tied to the tasting room.

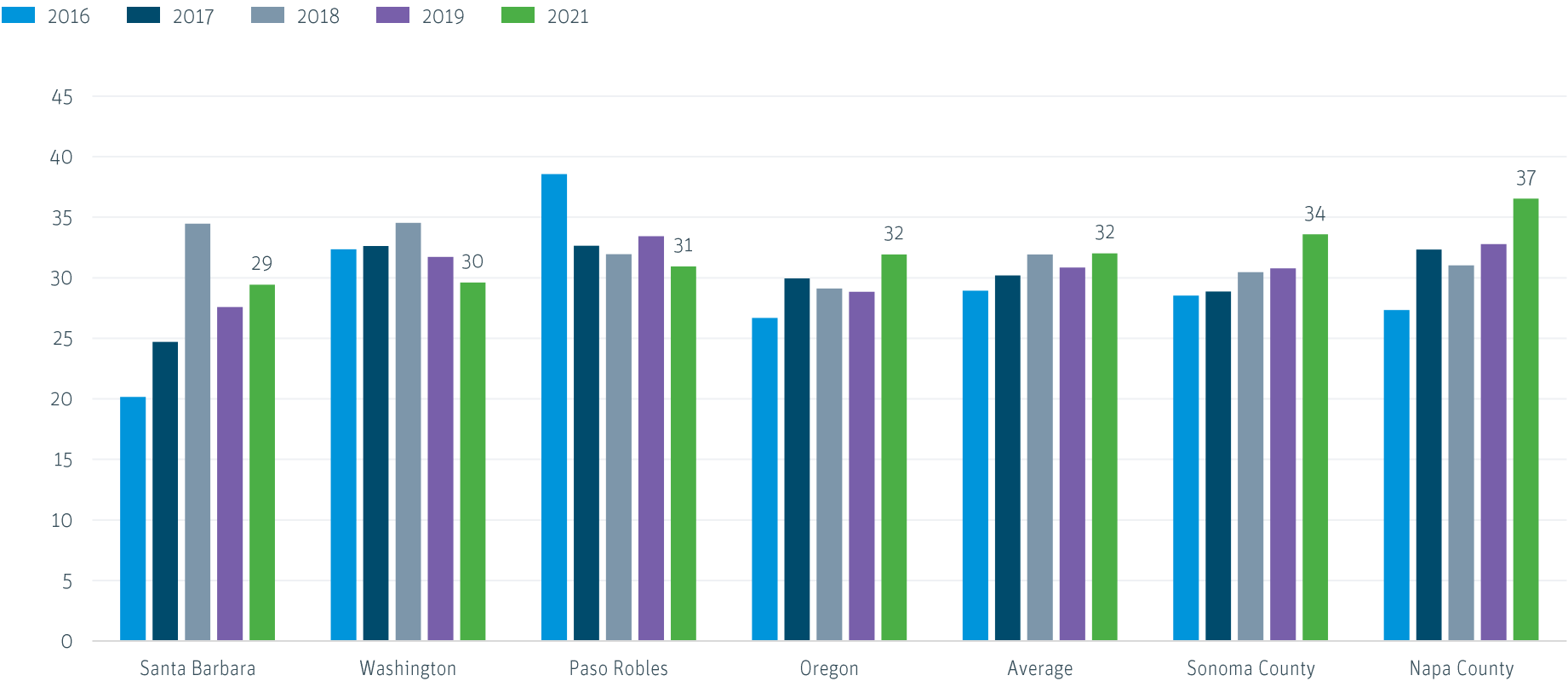
\*New Wine Club Member Growth Rate = New wine club members acquired in 2020, divided by starting number of wine club members in 2020.  
\*\*Attrition Rate = Number of wine club members lost during 2020, divided by Number of wine club members at the beginning of 2020  
Excludes wineries <5 years experience.

# Average Wine Club Size by Region



Average Members Lost by Region	2019	2021
Average	328	305
Napa County	502	450
Oregon	196	229
Paso Robles	482	408
Rest of California	499	226
Rest of US	180	150
Santa Barbara	228	296
Sonoma County	399	355
Washington	135	120

# Membership Length in Months by Region



2016	20	32	39	27	29	29	27
2017	25	33	33	30	30	29	32
2018	34	35	32	29	32	30	31
2019	28	32	33	29	31	31	33
2021	29	30	31	32	32	34	37

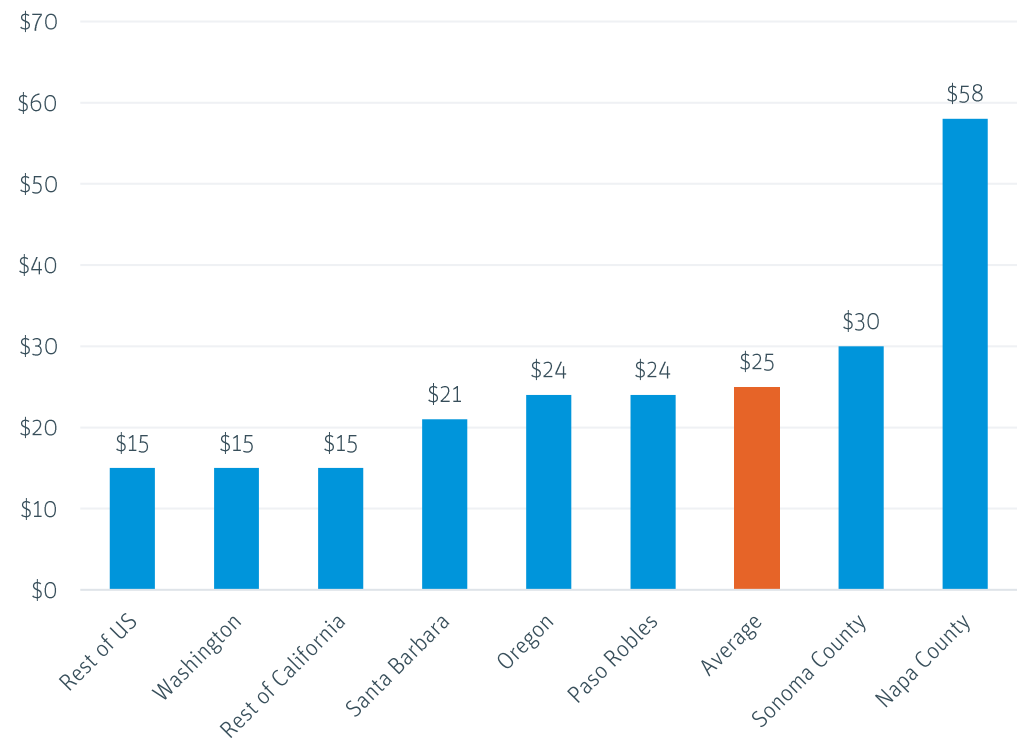
The critical benchmarks for clubs are the membership length and average annual purchase. The product of those two metrics is the Lifetime Value of a Customer.

Small increases in annual purchases and keeping a customer a little longer in the club are the mechanics for greater success.

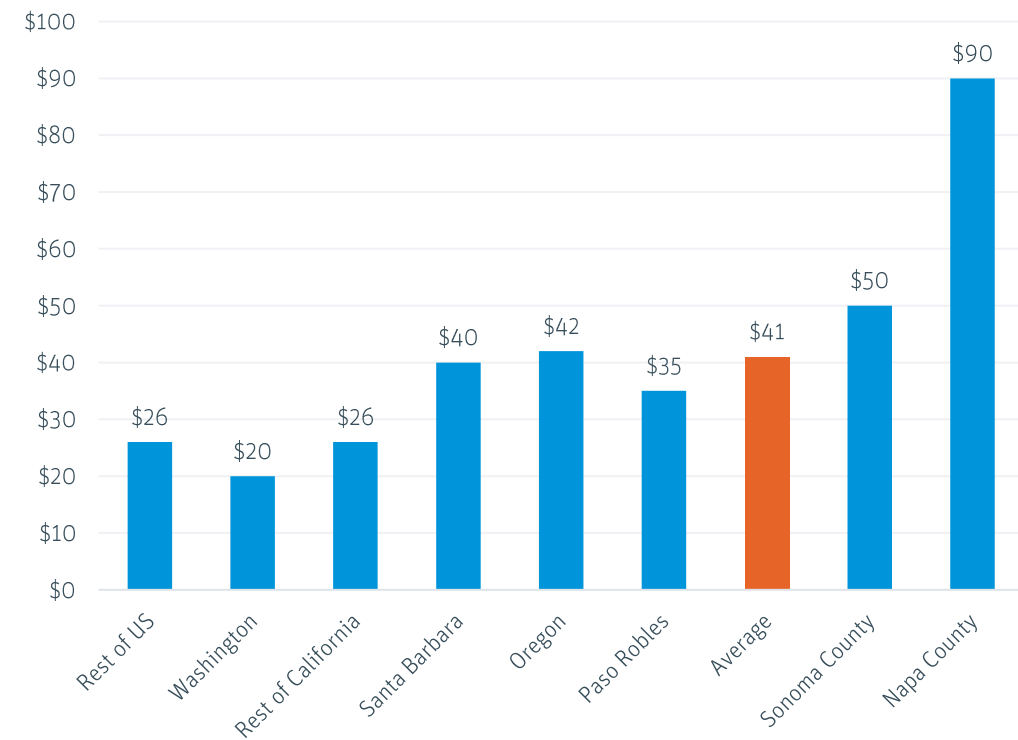
Predictive analytics though, understanding when a customer is likely to tip out and developing strategies to counter that is the secret to improved performance.

# Tasting Fee by Region

Standard Tasting Fee

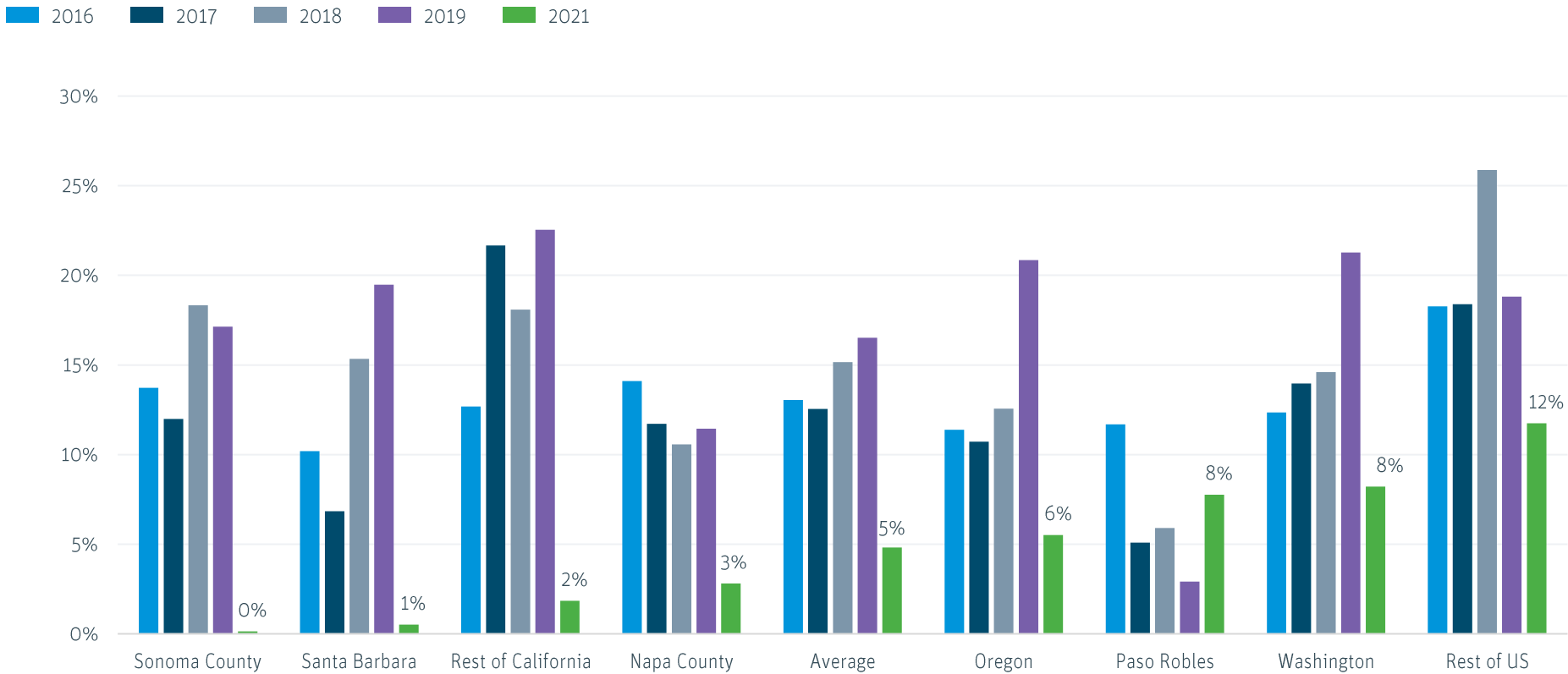


Reserve Tasting Fee





# Annual Change in Net Wine Club Member Growth Rate\*

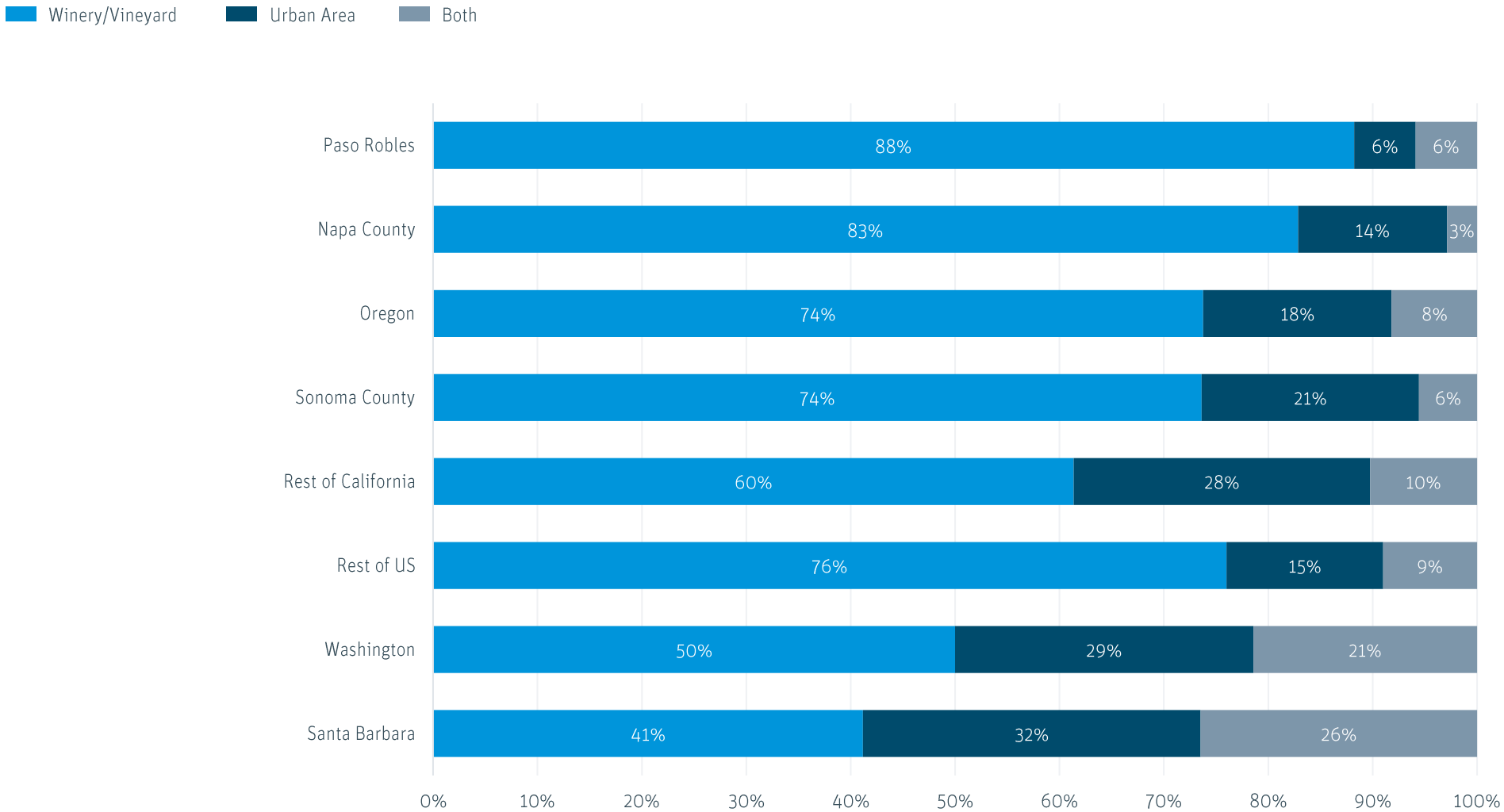


2016	14%	10%	13%	14%	13%	11%	12%	12%	18%
2017	12%	7%	22%	12%	13%	11%	5%	14%	18%
2018	18%	15%	18%	11%	15%	13%	6%	15%	26%
2019	17%	19%	23%	11%	17%	21%	3%	21%	19%
2021	0%	1%	2%	3%	5%	6%	8%	8%	12%

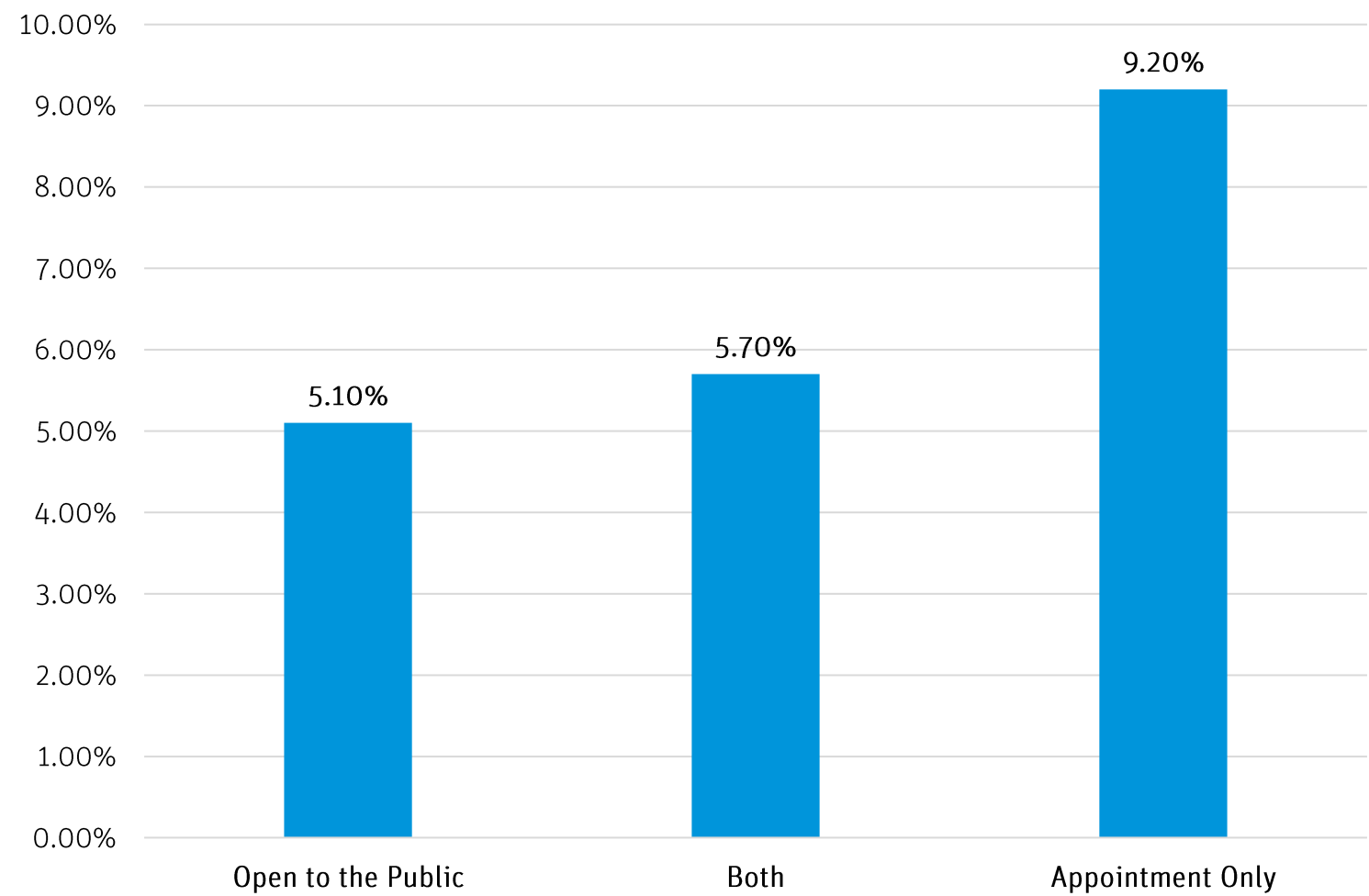
While club sales in general were successful during the COVID period, member attrition was a normal part of life, particularly in spring shipments when owners were trying to collect their bearings. Net membership ended the year higher, but with a lower growth rate versus prior years.

Growth in club memberships skewed to the second half of the year as tastings rooms reopened and the industry got creative with digital club signups.

# Tasting Room Locations by Region



# Conversion Rate to Club by Visitation Model

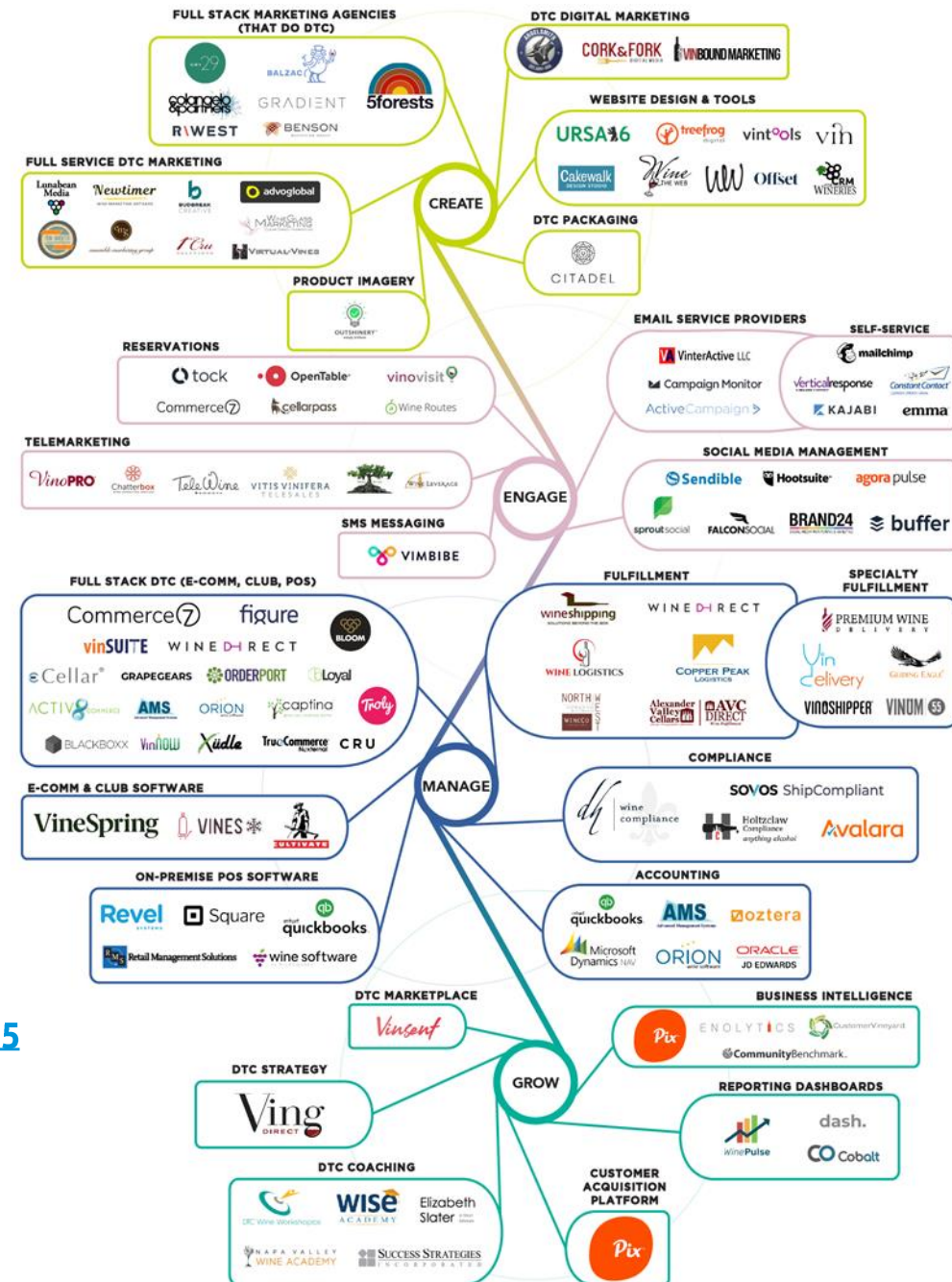


# Winery DTC Vendor Flywheel

[www.WineryDTC.com](http://www.WineryDTC.com)

Full article can be found at:

<https://pmabray.medium.com/the-2021-dtc-vendor-flywheel-43810dcf5475>







## SILICON VALLEY BANK

©2021 SVB FINANCIAL GROUP. ALL RIGHTS RESERVED. SILICON VALLEY BANK IS A MEMBER OF THE FDIC AND OF THE FEDERAL RESERVE SYSTEM. SILICON VALLEY BANK IS THE CALIFORNIA BANK SUBSIDIARY OF SVB FINANCIAL GROUP (NASDAQ: SIVB). SVB, SVB FINANCIAL GROUP, SILICON VALLEY BANK, SVB LEERINK, MAKE NEXT HAPPEN NOW AND THE CHEVRON DEVICE ARE TRADEMARKS OF SVB FINANCIAL GROUP, USED UNDER LICENSE.

THIS CONTENT IS INTENDED FOR US AUDIENCES ONLY.

THIS MATERIAL, INCLUDING WITHOUT LIMITATION TO THE STATISTICAL INFORMATION HEREIN, IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THE VIEWS EXPRESSED IN THIS VIDEO ARE SOLELY THOSE OF THE AUTHOR(S) AND/OR PARTICIPANT(S), AND DO NOT NECESSARILY REFLECT THE VIEWS OF SVB FINANCIAL GROUP, SILICON VALLEY BANK, SVB LEERINK OR ANY OF ITS AFFILIATES.

THE MATERIAL IS BASED IN PART ON INFORMATION FROM THIRD-PARTY SOURCES THAT WE BELIEVE TO BE RELIABLE BUT WHICH HAS NOT BEEN INDEPENDENTLY VERIFIED BY US, AND, AS SUCH, WE DO NOT REPRESENT THE INFORMATION IS ACCURATE OR COMPLETE. THE INFORMATION SHOULD NOT BE VIEWED AS TAX, INVESTMENT, LEGAL OR OTHER ADVICE, NOR IS IT TO BE RELIED ON IN MAKING AN INVESTMENT OR OTHER DECISION. YOU SHOULD OBTAIN RELEVANT AND SPECIFIC PROFESSIONAL ADVICE BEFORE MAKING ANY INVESTMENT DECISION.

NOTHING RELATING TO THE MATERIAL SHOULD BE CONSTRUED AS A SOLICITATION, OFFER OR RECOMMENDATION TO ACQUIRE OR DISPOSE OF ANY INVESTMENT, OR TO ENGAGE IN ANY OTHER TRANSACTION.