

VINOPRO'S 2013
DIRECT TO CONSUMER
WHITEPAPER



About the Author

Jeff Stevenson created VINOPRO in 2008 during one of the worst economic downturns ever. The company sold over \$8,000,000 of wine Direct to Consumers in 2012 and made the 2013 *Inc. 500 Magazine's* list at #236 of the fastest growing companies in the United States.



\$8,000,000 of Direct to Consumer Sales Data You Can Use Right Now

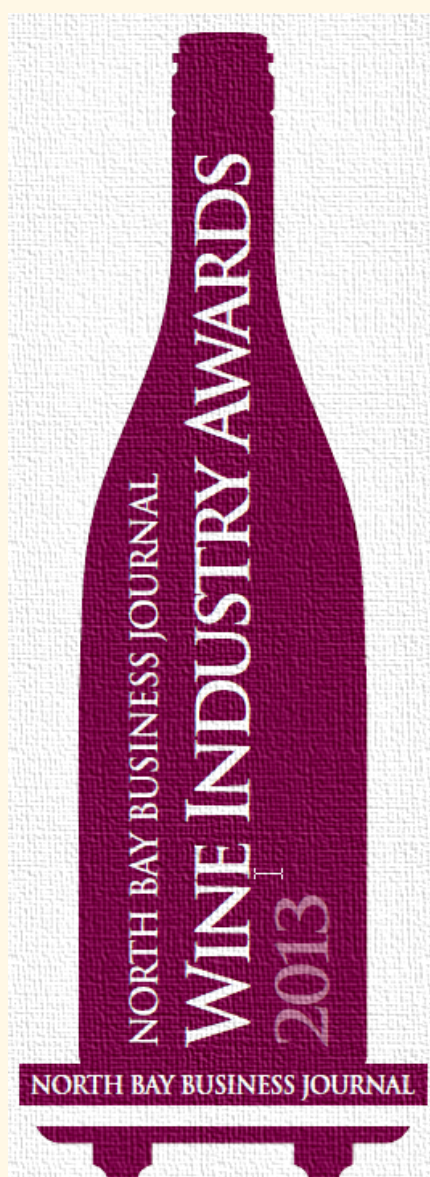
Real Sales, Real Information

Welcome to the first VINOPRO DTC Wine Sales Whitepaper. We have compiled data from over \$8,000,000 worth of Direct to Consumer Sales data for our strategic partners from Jan 1st, 2012 through December 31st, 2012. This is data based on real sales that occurred from actual interactions with customers and sales made over the telephone.

It's not what you might think!

Some of this data is surprising because it contradicts much of what you have heard in dozens of conferences and from other so called "experts" in their field. While some of it confirms information that has been previously published by other data sources, this report provides some new insights into real-world sales situations for wines sold directly to consumers across the U.S.A.

"VinoPRO has created game-changing technology that will benefit everyone"
Richard Kline, CEO eWinery Solutions



Methodology

Data was collected from actual sales that occurred over the telephone during the year 2012. Over 50 different brands are represented and over 60 different sales representatives made the sales. What we learned from this exercise is that there are several myths in the DTC wine sales space that are permeating the thinking of those in the business. What we expose here is the truth behind what is really driving DTC sales, specifically sales made with direct customer interactions. We give specific and explicit recommendations to the reader on how to increase your sales, increase your brand value, and make informed decisions on what you should be doing. This will help you sell more and create a world-class brand that is respected by your customers.

REPORT: Know Your Customer – Who's Really Buying Premium and Ultra-Premium Wines?

VinoPRO is a sales, technology and services company that has created a world-class platform for enabling and understanding Direct to Consumer (DTC) wine sales. We use this advanced platform to sell wine, lots of wine, on behalf of our clients using the most antiquated technology on the planet – the telephone. Selling 1% of all wine DTC, VINOPRO strives to be the most professional wine sales and services organization in the DTC wine segment.

Our customers, a Who's Who in the ultra-premium fine wine market include: Treasury Wine Estates (Beringer, Chateau St. Jean, St Clement, Etude, Stags Leap), Jackson Family Wines (Kendall-Jackson, Freemark Abbey, Stonestreet, Matanzas, La Crema, Murphy-Goode, Arrowood), Constellation Brands (Robert Mondavi, Simi, Ravenswood, Clos Du Bois, Franciscan, Mt Veeder), Iron Horse, Trefethen, Benziger, Imagery, St. Francis, Schug, Sullivan, Swanson, and many other high profile brands.

We have achieved "Trusted Thought Leader" status in the DTC Wine segment with the application of our values, technology, professionalism, sales skills and best practices to sell wine directly to consumers in the DTC channel. Our dedication to excellence and superior customer service generates new and profitable business opportunities for our clients, while strengthening customer loyalty to their brands. As a result, this year VINOPRO was named at #236 in *Inc. 500* Magazine's list of the fastest growing companies in the U.S. achieving 1818% growth over the past three years.

In calendar 2012, VINOPRO made over 1,000,000 sales calls on behalf of its clients and sold over \$8,000,000 worth of wine with an average order value of \$390.58.

"VinoPRO has created a selling machine that is truly ground breaking for Direct to Consumer wine sales"
Tim Wallace, President Benziger Family Winery



TIDBITS

62% of our buyers are over the age of 50

Only 9% of Pinterest users make more than \$100K a year

89% of our sales occur from 12PM-8PM

Rosé wine sales were up 32% in 2012

The average Napa Valley visitor spent only \$10 on wine at each winery visited.

A 50% off discount means you have to sell **twice as much** wine just to break even

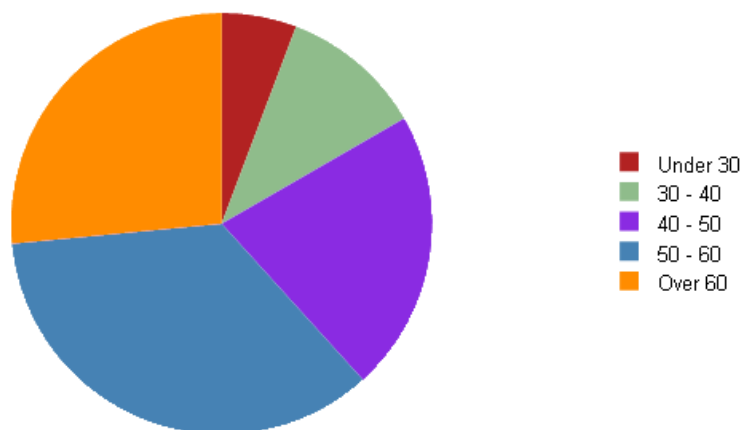
This report is based on anonymized transactions during this time period and aims to bust some prevalent DTC myths. In addition to VINOPRO data, we use and reference results from the "Visit Napa Valley: 2012 Napa Valley Visitor Profile" and from Ship Compliant and Wines and Vines' "Direct to Consumer: Wine Shipping Report 2013" to draw additional conclusions.

DTC Myth #1: Millennials Matter

OK, so it's not that they don't matter but they don't matter very much. This pie chart is based on more than eight million dollars in sales and illustrates that Millennials are not buying very much premium and ultra-premium wine. In fact 84% of all our buyers are over the age of 40 with 62% over the age of 50. This makes perfect sense as Millennials have less money to spend, so they spend less.

Age Distribution of Sales 1/1/2012 to 12/30/2012

All Selected Wineries



What does this mean to you? That brings us to Myth #2:

DTC Myth #2 - Social media matters

OK, we admit it, social media is great for branding. It's crucial to be speaking directly to your aspirational and future customers, but social media is terrible medium for selling wine, especially to your Boomer customers. Ask yourself how much wine you've actually sold using social media. A recent Pew Research Center report found that only 42% of Americans aged 50 and over are on Facebook and only 18% of Twitter users are over the age of 45. 77% of Pinterest users are under the age of 45. As for income, only 11% of Facebook users make more than \$100K a year and only 9% of Pinterest users make more than \$100K per year.

"VinoPRO is the most professional wine sales company I've worked with"
Joy Sterling, CEO Iron Horse Winery

"Buying wine online can be hit or miss. I prefer to buy wine from someone who knows my tastes, has sampled the product, and is located in wine country working closely with the winemakers."

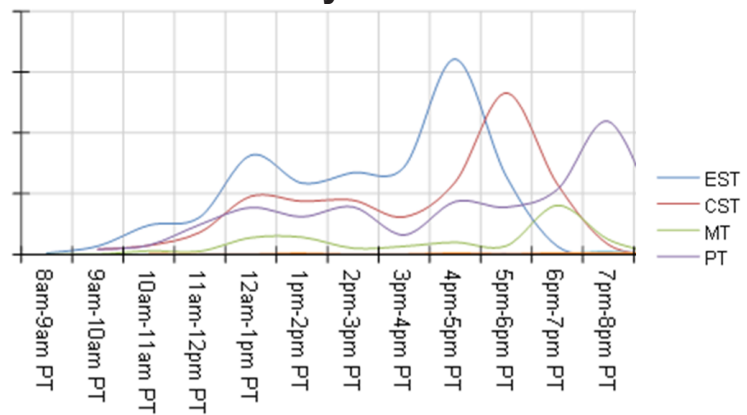
William Bailey, wine collector

Sure it's important to have a basic social media strategy, but if you're a premium or ultra-premium wine brand, you shouldn't expect to see a significant monetary return on your investment in social media any time in the near future.

Myth #3 - Your tasting room can afford to close at 4

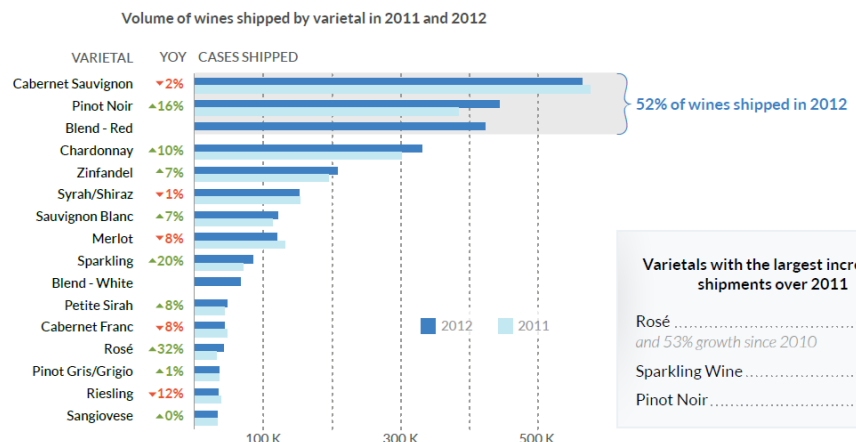
It may not seem obvious but the numbers prove it out; people prefer to buy wine later in the day. In fact, 89% of sales occur between 2PM and 8PM with almost 20% of sales occurring between 4PM and 5:30PM PST. If you remain open later (especially on the weekends), then your winery could become their last stop. The reality is that customers will likely be more susceptible to recommendations and also have a softer grip on their pocketbooks at that time.

Sales by Hour



DTC Myth #4 - Only red wines sell DTC

As the 2013 DTC Shipping Report for last year shows below, reds and especially cabernet made up a majority of sales ($\frac{2}{3}$ in total value), BUT chardonnay, rosé and sparkling wine showed growing sales over the previous year. In fact, chardonnay was up 10%, sparkling up 20% and rose sales were up an impressive 32%:



"VinoPRO is a key strategic partner of ours. These guys just get it."
Tyler Plant, Jackson Family Wines

"I prefer to purchase my wine over the phone from a knowledgeable brand ambassador versus the non-personal service one receives when buying online or even at some wine stores."

Desmond Elder, fine wine lover

DTC Myth #5 - People are buying lots of wine when they visit you in Wine Country

According to the 2012 Napa Valley Visitor Profile report, the average Napa visitor spent \$485.87 per day while in Wine Country but only \$40.06 per day on wine! Given that the average visitor went to 4.1 wineries or tasting rooms during his/her visit, that means they spent about only \$10.00 on wine at each winery. What does this mean to you? You should be asking why your tasting room isn't converting more visits into sales. We would advise implementing an aggressive data capture program, or you will be watching years of potential sales walk right out the door. Also, providing more extensive sales training for your tasting room staff and using the data you collect to reach out to your potential customers with personalized attention via phone calls and emails can all produce a dramatic increase in your sales.

DTC Myth #6 - Discounting is the only way to sell wine Direct to Consumer

When was the last time you saw a "buy one, get one" at a Ferrari Dealership? Have you ever tried to buy an Apple product for a discount? Have you ever purchased a bottle of Screaming Eagle because they slashed their prices? Discounting does three things REALLY well:

1. It devalues your brand
2. It "trains" customers to expect this every time
3. It means you have to sell that much more just to BREAK EVEN.

Are you a fan of running 50% off sales? 50% off means that you actually have to sell twice as much wine just to break even. Here are some tips to increase your DTC Sales without discounting. Since wine ages really well it should be MORE EXPENSIVE as it ages in your dark cellars, not less expensive or discounted. Library wines should be priced at a premium, and offered to the best customers.

- ✚ Raise your prices modestly every year. 5-10% strategic increases are easily absorbed by the customer base.
- ✚ Shipping. For some reasons customers lose all sense of math or logic when you provide shipping incentives on orders. They will buy an extra \$1000 to save \$50 on shipping WITHOUT discounting. For those not following along, that is 5% off vs. a 10% discount = \$100.
- ✚ Consider using these magic buzzwords to bring VALUE to your brand and your wines instead of discounting: "Exclusive." "Library," "Sells out every year," "Club Member Favorite," "Signed bottles from the winemaker!" "Only 150 Cases Made," and "Going Fast!" These phrases create a sense of urgency.

"Our partnership with VINOPRO has produced amazing results and they always deliver on their commitments"
Kory Erickson, VP & GM, Treasury Wine Estates

"I love the way the salespeople explain quality of wines to me in simple terms like "yummy goodness" for how it tastes.....they rarely disappoint"

Barry Graf, vintage wine collector

DTC Myth #7 - You have to give away shipping to sell wine in states other than California.

Fact: Acknowledging that the cost of shipping wine is a hot button topic for consumers allows you to address the issue and use it as a tool to sell more wine. Sending out email blasts like "Shipping Included on all 3 bottle orders!" just trains your customers to wait for these deals before they buy. Why not use them instead to upsell and get customers to buy MORE wine? You win, the customer wins, and you can recover more margin on each sale.

During 2012 and across over \$8,000,000 of wine sold, we used NO shipping incentive on over 76% of all orders sold. That means 15,770 customers paid full freight to receive their wine. The average order value with no shipping incentive was \$297.

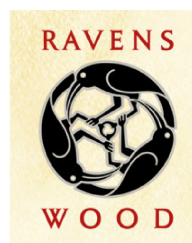
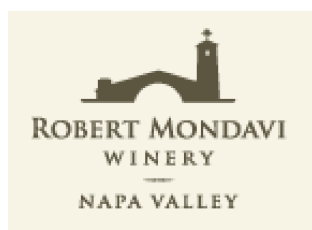
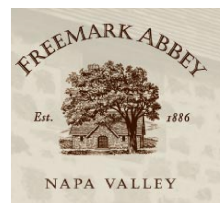
When we used our most common shipping incentive of half off shipping, we almost doubled our order value to \$549. We used this tool on 11% of our orders. Interestingly enough, this tool is exactly the same as saying "If you buy another case I can cover the shipping on the second case," or put another way, "If you buy another case I can split the shipping with you on the whole order."

Only 5.4% of all orders carried shipping included. The average order value was \$1,348 which is over 4.5 times *more* than when we use no shipping incentive. Let's look a little closer at that number. Each time we used a "shipping included" incentive, the customer increased their order value dramatically and generated over \$1.5 MILLION DOLLARS incrementally for our customers. Assuming average shipping costs are \$50 per case (and the majority of these orders were multi-case), that means the net discount per order was about 7.5% just by using this incentive in the right way.

When you give away shipping in an email blast or offer one cent shipping with no or a low minimum order value, you take away your best tool to sell that customer which is their desire to minimize shipping costs. We have seen customers spend thousands of dollars more on a case of wine when shipping incentive tools are used properly.



Thanks to all of our Strategic Partners!





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"When we started VinoPRO in 2008 it was a terrible time to get bank financing. I'd done start-ups, public IPOs, all venture capital funded. This time Lori and I wanted to own the business and we needed bank financing to make that happen. Trouble was, no one believed in us until we met Steve Herron at Exchange Bank. Steve knows the wine business. He understood how our direct to consumer sales program could boost wine club revenue and build brand value. He got the Bank to take the risk and it's been good for everyone. We've made the 2013 *Inc. 500* list at #236, we're selling millions of dollars of wine for our partners, and thanks to the Bank have an SBA loan to help fuel growth."

Jeff and Lori Stevenson
VinoPRO

Let's make it happen.  **Exchange
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Apply online at exchangebank.com. For more information call 707.524.3000.

