STATE OF THE INDUSTRY
economic and consumer update
2016

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Proprietor, Full Glass Research

Background

Full Glass Research

- Provider of industry & market research to food & drink companies and organizations, governments
- Economic impact studies, category outlook and trend analysis, VAPG grant feasibility, sales analysis, category management
- Supply vs. demand analysis using acreage/crush stats vs. sales data

Wine Opinions

- Leading provider of quantitative and qualitative consumer and trade research on the U.S. wine market
- Online trade & consumer surveys; proprietary "Vintrospectives" online discussion groups
- Unique national panels of 10,000+ high frequency wine consumers and 3000+ trade members

WINE MARKET CONSUMER RESEARCH

Sources of Information:

Wine Opinions

“Wine Opinions”

Full Glass Research

Nielsen

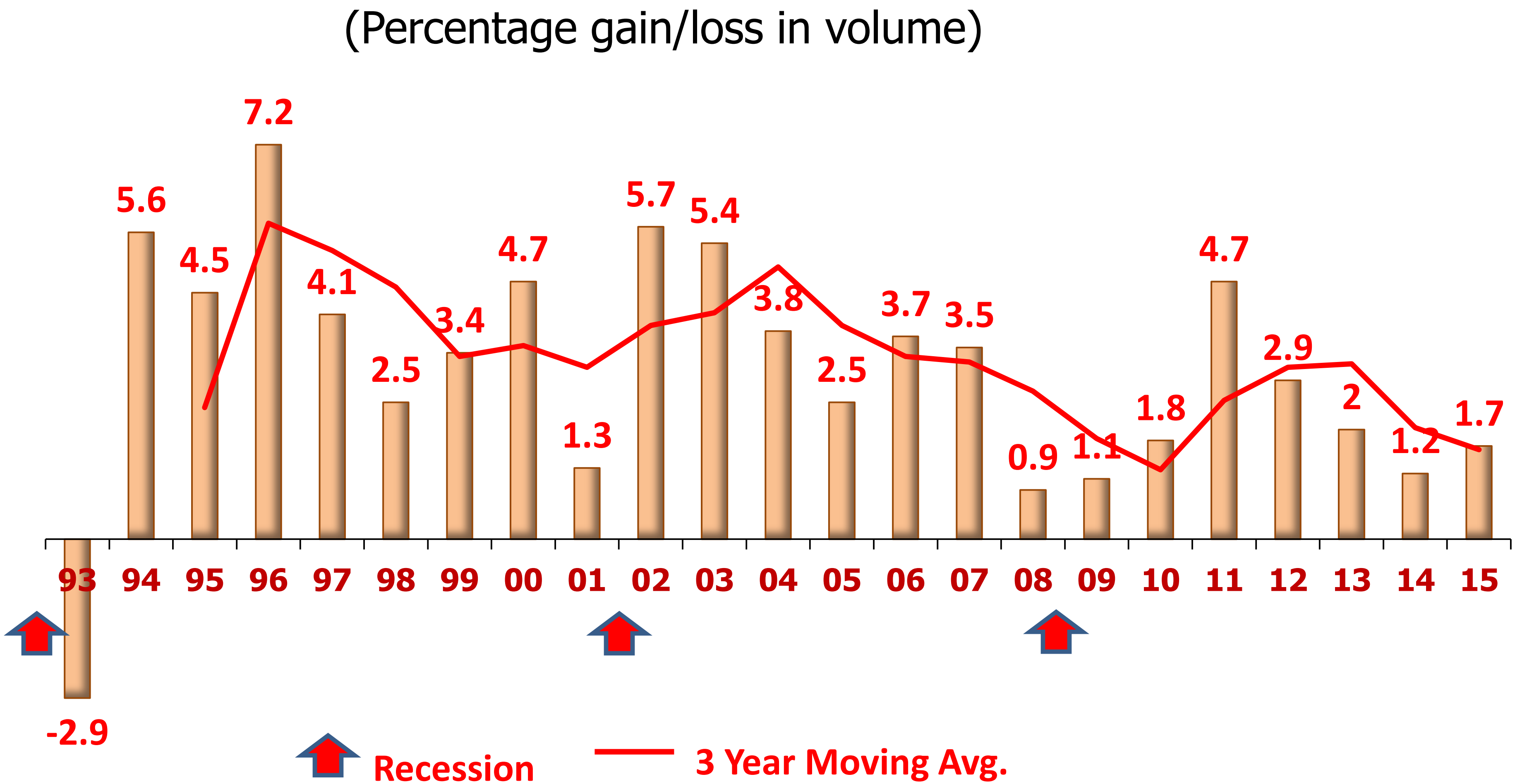
nielsen

BIN, BW166

Wines Vines Analytics / ShipCompliant model

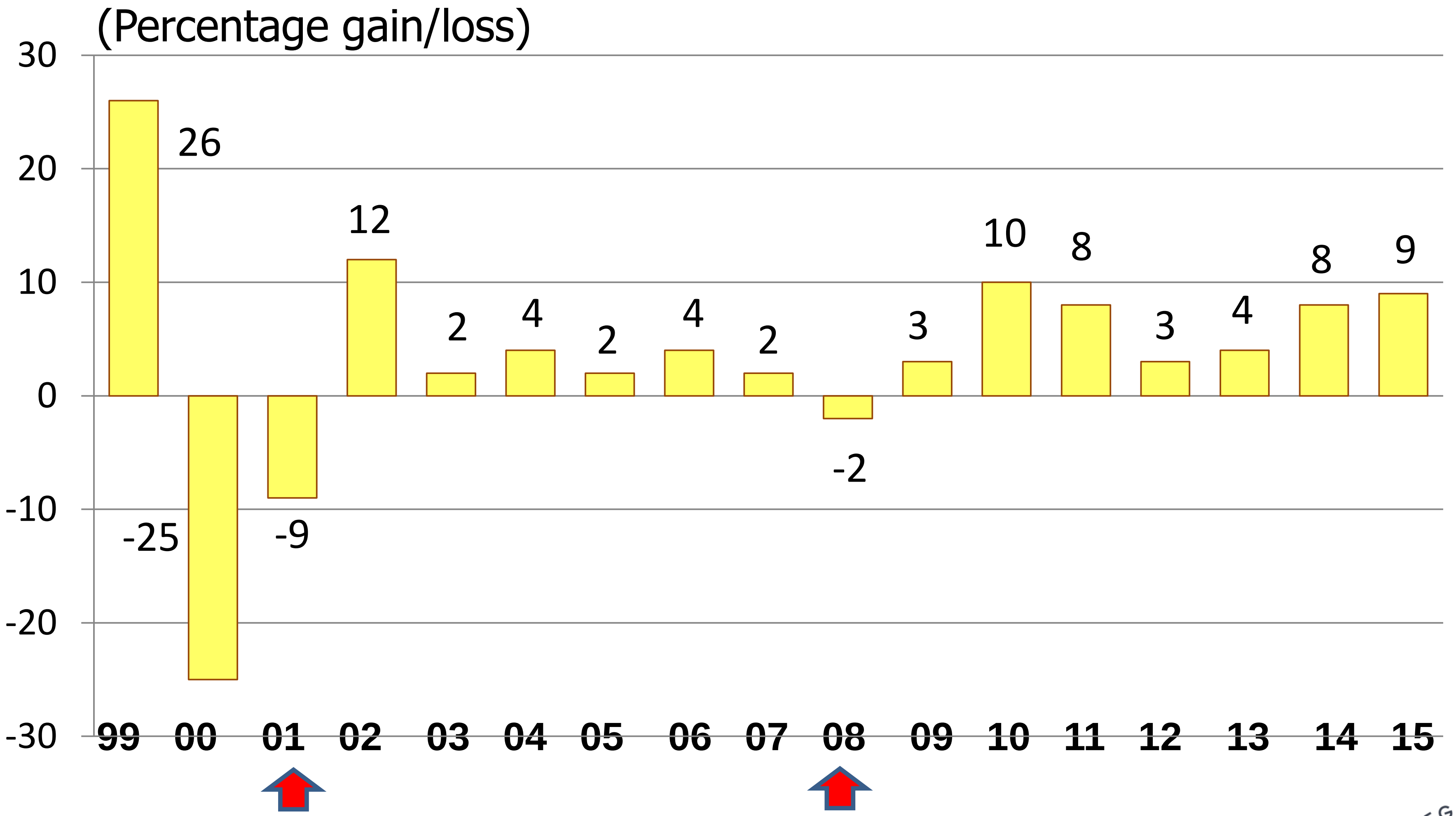
SOURCE (Southern Oregon University Research Center)

% Change in U.S. Table Wine Shipments 1993-2015



Source: BIN, BW166

Percentage Change in U.S. Sparkling Wine Sales 1999-2015



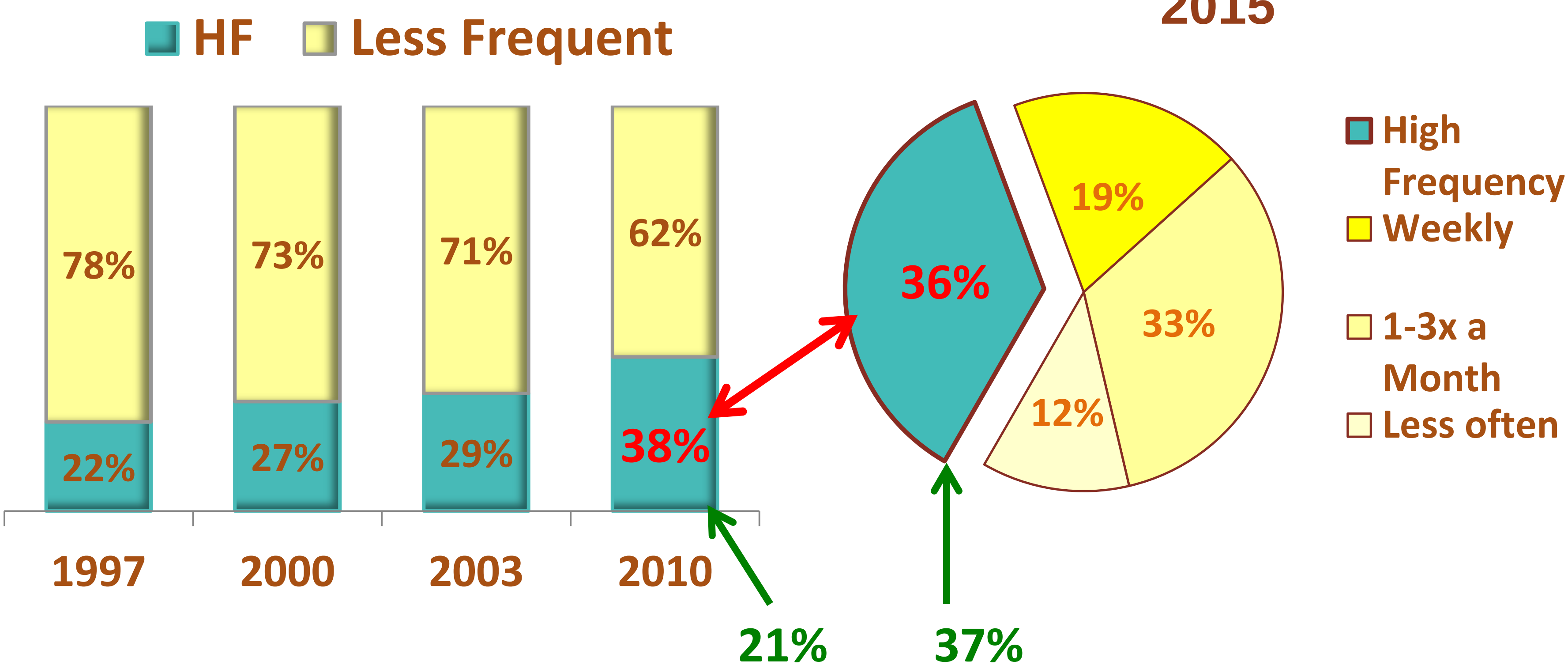
Source: Gomberg-Fredrikson, BW166

OREGON WINE PORTLAND SYMPOSIUM

Frequency of Wine Consumption Over Time

% of Wine Consumers who are High Frequency 1997-2010

All Wine Consumers by Frequency of Wine Consumption 2015

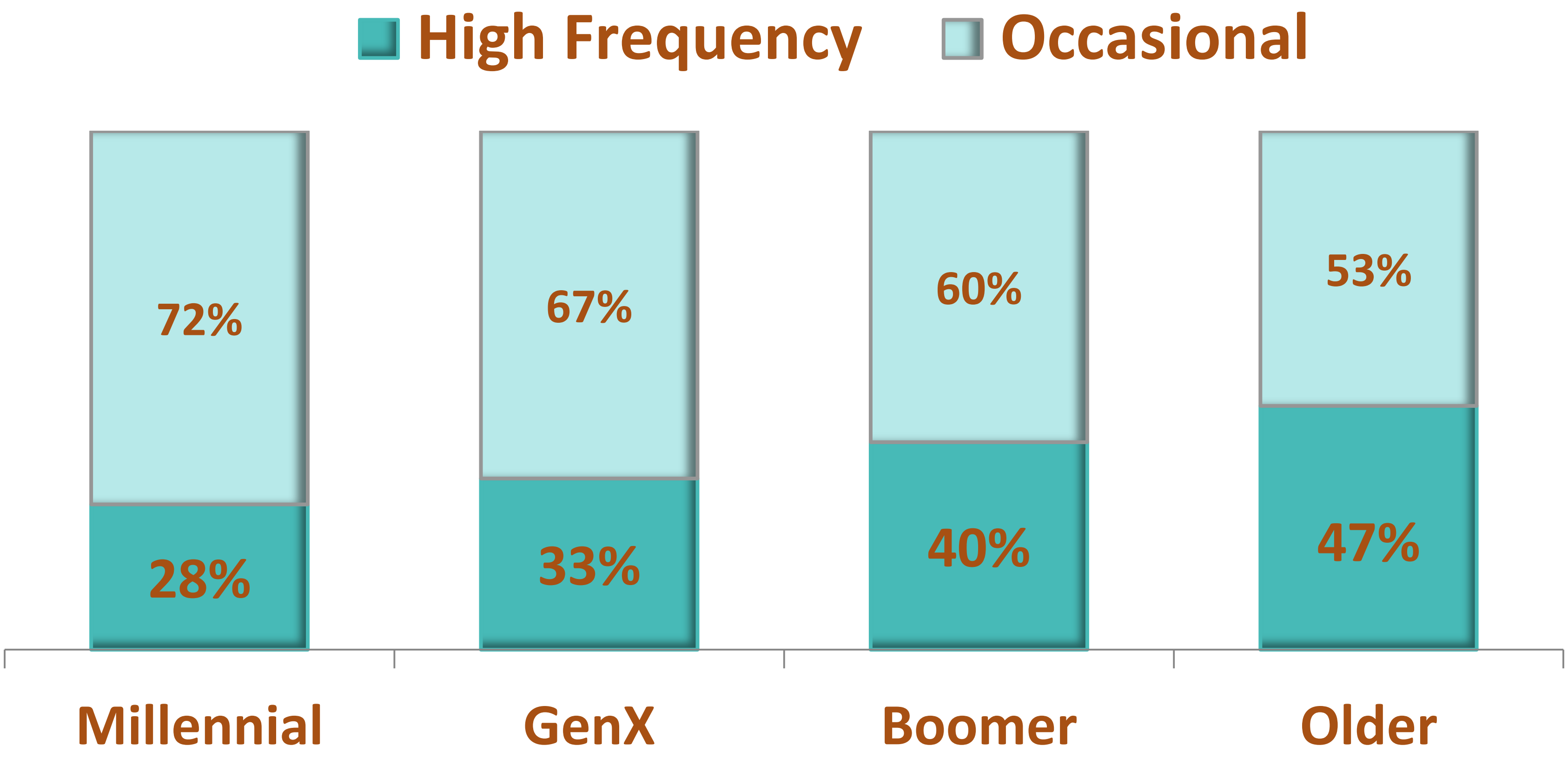


BUT Portion who are High End Consumers Grows

Source: Wine Market Council Tracking Studies 1997-2015

Wine Market COUNCIL

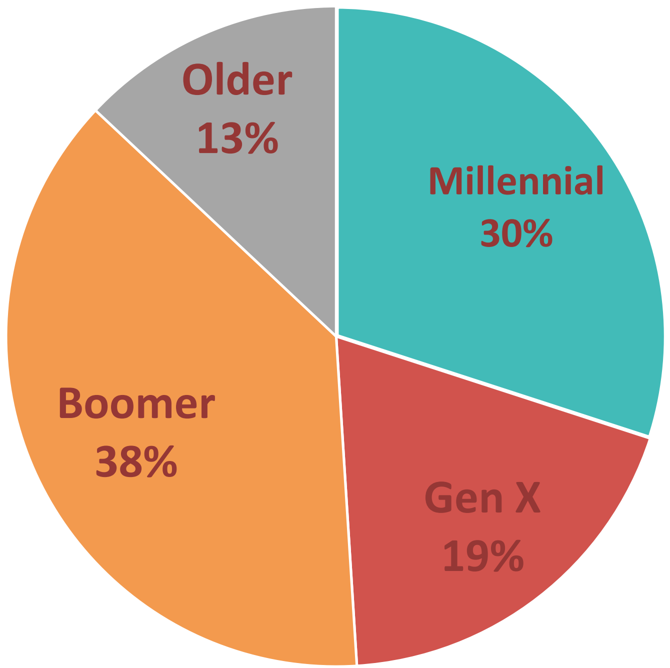
AND…the younger the consumer, the lower the proportion of High Frequency wine drinkers



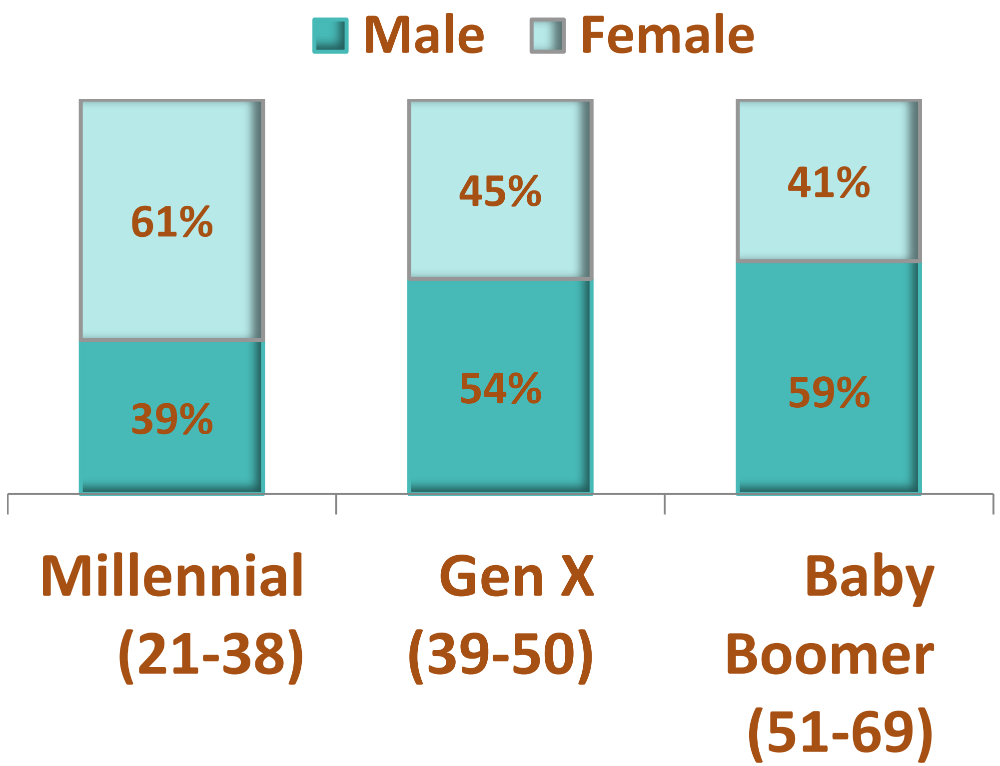
Source: Wine Market Council Tracking Study 2015

A Closer look at High Frequency Wine Drinkers

HF wine drinkers by generation



HF wine drinkers by gender



Source: Wine Opinions Consumer panel 2015

Millennial Wine Drinkers (any frequency) What Else Do They Drink?

Drink/Frequency	MALES	FEMALES
Drink Domestic Craft Beer Weekly+	33%	13%
Drink Domestic Craft Beer Monthly+	70%	43%
Drink Imported Beer Weekly+	18%	7%
Drink Imported Beer Monthly+	55%	38%
Drink Cider Monthly+	28%	37%

Source: Wine Opinions Consumer panel 2015

Craft Beer & Wine Interaction: Three things to think about

- In retail sales data, there is not a clear correlation between wine sales trends and craft beer sales trends. In some markets both are up equally, in others one is growing faster and the other slower.

- If you look at high frequency wine drinkers:

  - the highest proportion are drinking more wine & less beer (but more craft!)
  - among those drinking more beer, 47% are drinking more wine, only 17% less wine

- Hypothesis: the cultural trends driving craft beer have also favored wine…among current regular wine consumers. The real issue with craft beer is diversion of potential wine consumers – particularly younger millennials who are beginning to explore the category.

SCANNED SALES BY PRICE SEGMENT: OVER $8 STRONG, UNDER $8 WEAK

Sales Share		Price Segment (Eq 750 ml)	Value % Change	Volume % Change	Average Price/750 ml
Value	Volume				
100%	100%	Total Table Wine (glass bottles)	+4.8%	+1.0%	$7.81
6.6	15.9	<$3.99	-3.7	-5.1	$3.26
31.3	44.0	$4-7.99	-2.0	-1.8	$5.56
26.2	21.9	$8-10.99	+4.3	+4.2	$9.33
18.9	11.9	$11-14.99	+14.3	+14.8	$12.41
8.0	3.7	$15-19.99	+14.5	+14.6	$16.92
4.1	1.5	$20-24.99	+11.9	+12.1	$21.35
4.8	1.0	$25+	+10.9	+11.4	$37.47

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 1-3-2015

SCANNED SALES BY VARIETY

Sales Share – Value	Sales Share – Volume	Varietal	Value % Change	Volume % Change	Avg Price/ 750 ML
100%	100%	Ttl Table Wine	+5.2%	+1.8%	$6.90
18.9	19.3	Chardonnay	+3.7	+0.9	$6.76
16.4	13.5	Cab Sauv	+8.1	+5.2	$8.36
9.0	9.3	P. Grigio/Gris	+7.7	+7.6	$6.66
12.5	9.9	Red Blends ex 4/5 L	+10.1	+7.0	$8.69
6.5	7.8	Merlot	-2.3	-4.1	$5.78
7.1	4.9	P. Noir	+9.2	+6.7	$10.01
5.7	4.3	Sauv Blanc	+13.3	+10.7	$9.04
1.0	0.8	Rose	+31.8	+7.2	$8.06
2.2	2.0	Riesling	-1.2	-0.1	$7.44
1.9	1.9	Wht Blends ex 4/5 L	-4.5	-6.0	$6.81
1.1	1.2	Syrah/Shiraz	-10.3	-11.2	$6.70

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military);
52 w/e 1-3-2016

DOMESTIC WINES GROWING FASTER, OREGON & WASHINGTON ACCELERATING

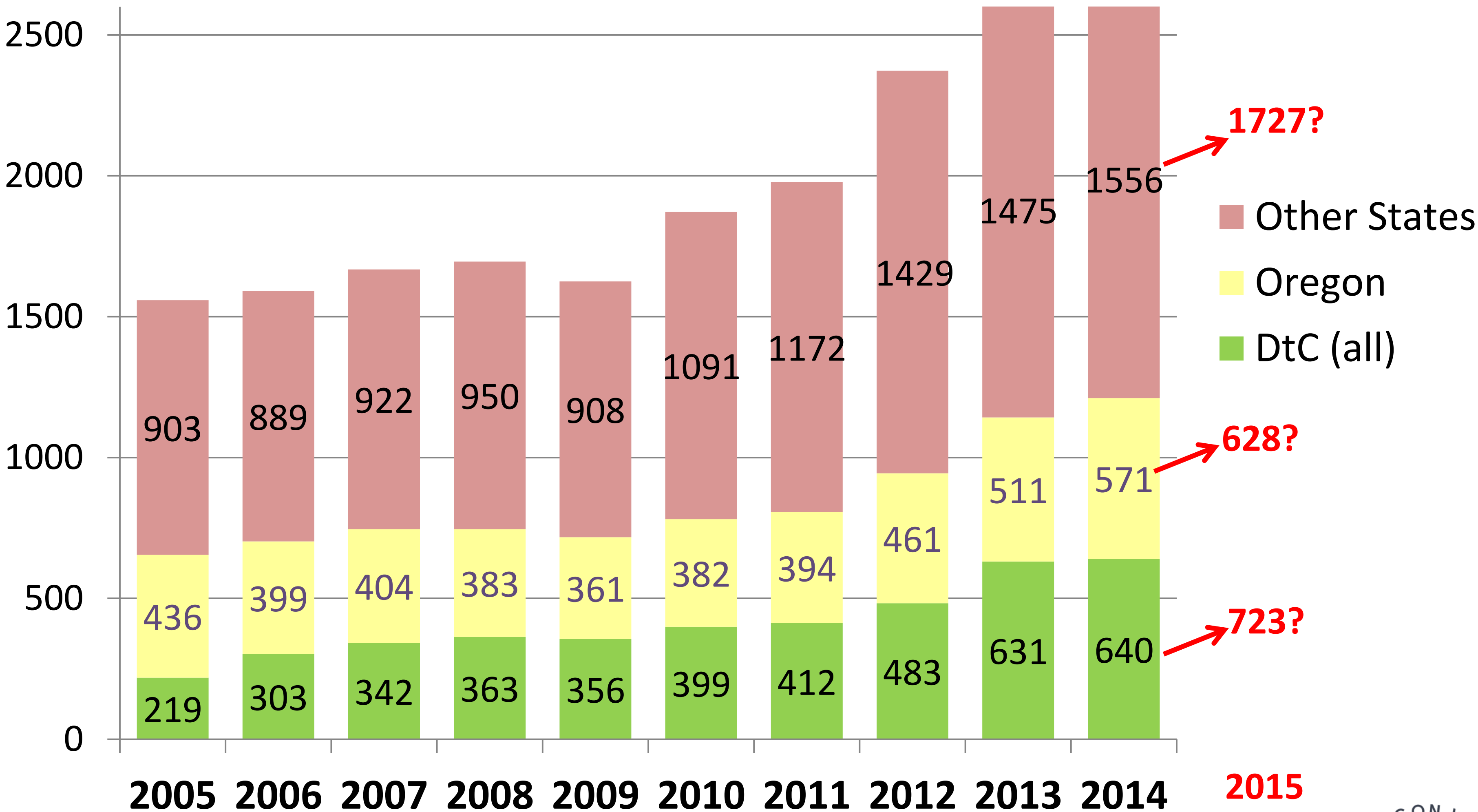
Sales Share		Origin	Value % Change	Volume % Change	Avg Price/ 750 ml
Value	Volume				
100%	100%	Total Table Wine	+5.2%	+1.8%	$6.90
73.4	74.4	Domestic	+5.7	+2.2	$6.77
66.2	69.2	--California	+5.5	+2.0	$6.58
4.5	3.1	--Washington	+8.9	+7.1	$9.50
1.0	0.4	--Oregon	+13.2	+10.5	$15.98
26.6	23.3	Imported	+3.6	+0.5	$7.27

Grocery share is 24%; Liquor share 38%; Wine.com share 55%

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 1-3-2015

OREGON WINE
PORTLAND
SYMPOSIUM

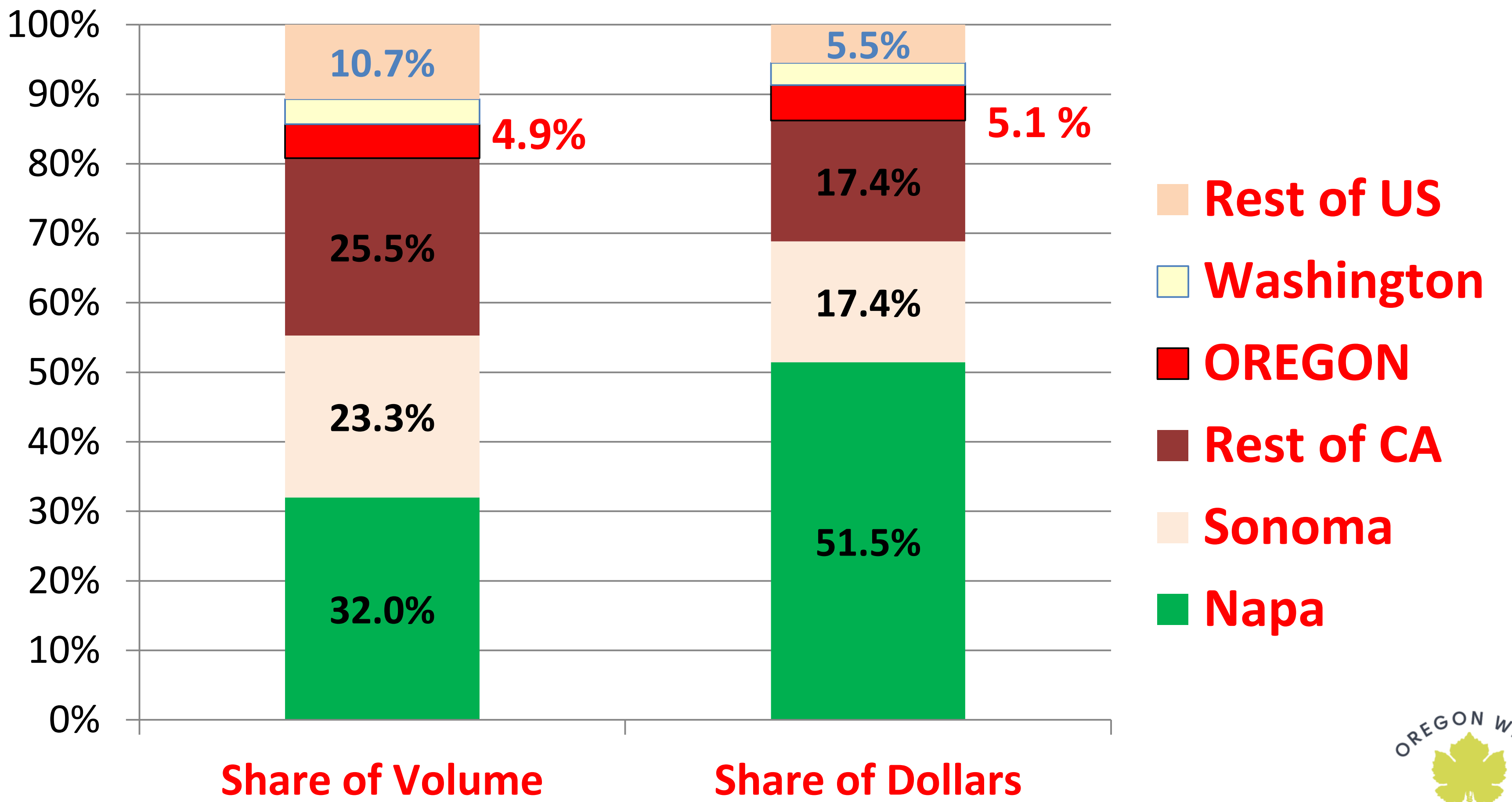
OR Winery Sales by Channel – 9L cases (k)



Source: OASS, Southern Oregon University Winery Report

Direct to Consumer Sales: Share by Region 2015

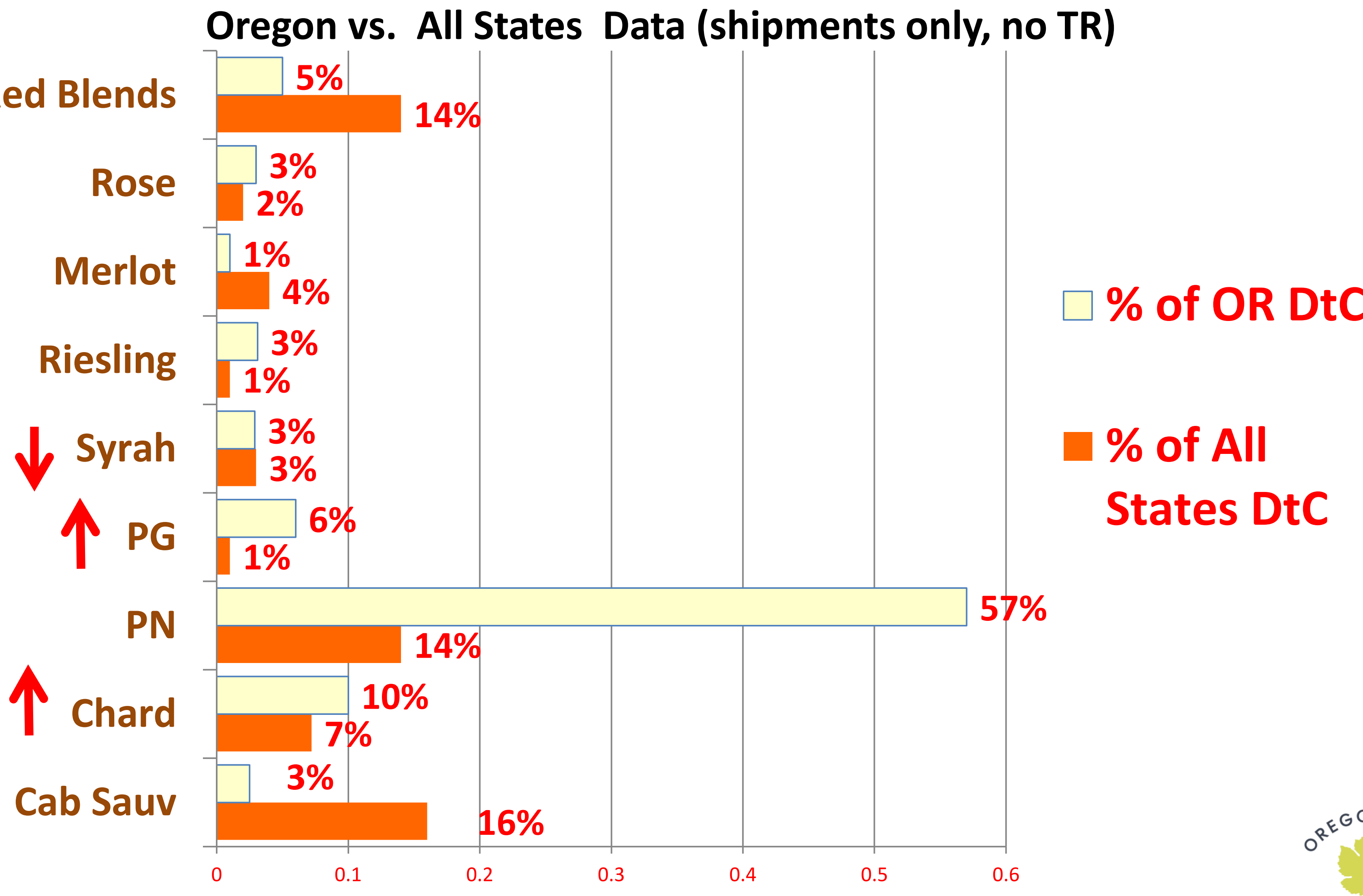
(Mail/Website/Club shipments, not carryout)



Source: **Wines Vines Analytics / ShipCompliant model 2015**

OREGON WINE PORTLAND SYMPOSIUM

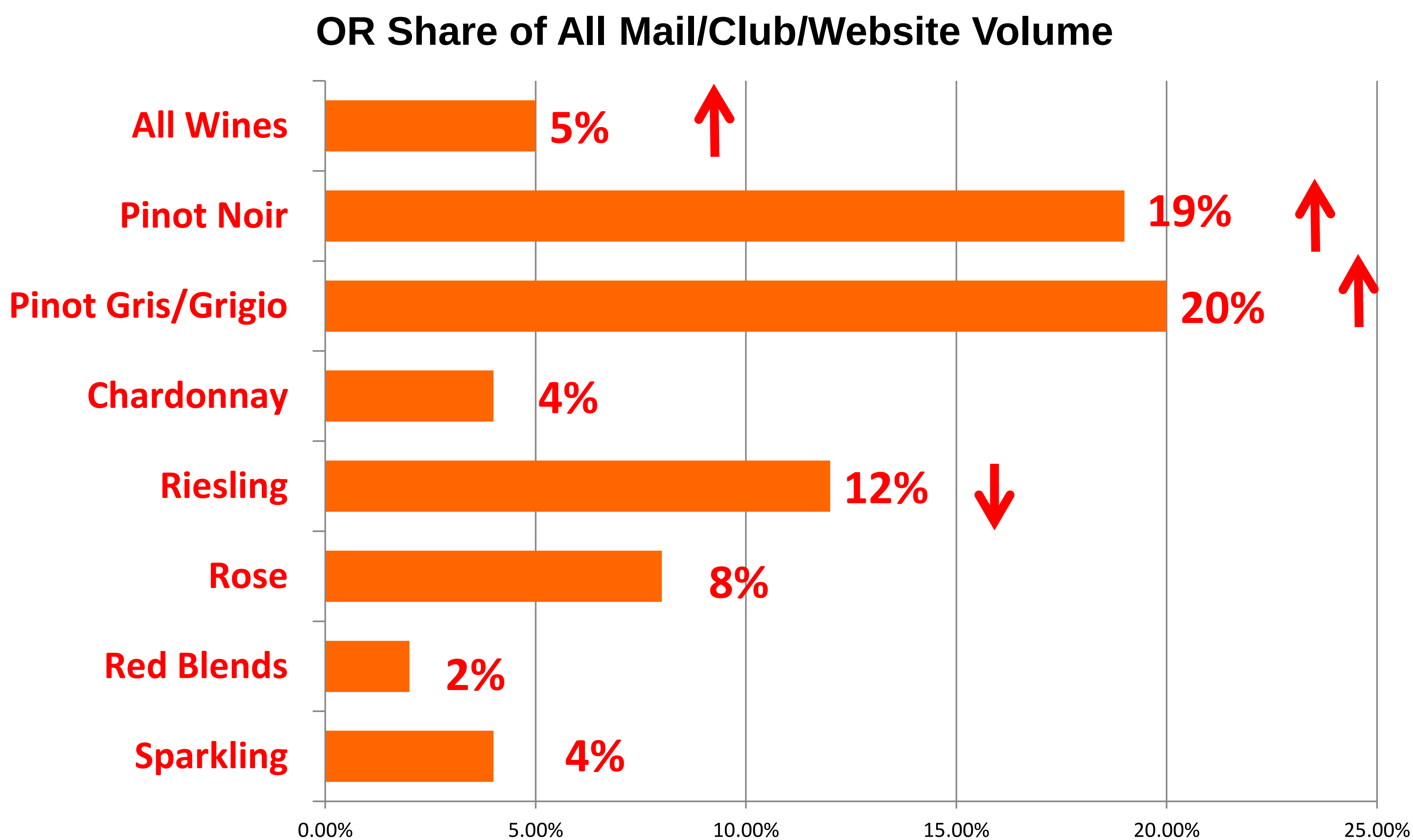
DtC: Share of Volume by Variety 2015



Source: **Wines Vines Analytics / ShipCompliant model 2015**

OREGON WINE PORTLAND SYMPOSIUM

DtC: OR Share of Total DtC market by Variety 2015



Source: **Wines Vines Analytics / ShipCompliant model 2014**

Oregon Wine Board Consumer Study

December 2015

Objectives and Methodology

RESPONDENT SOURCE: the Wine Opinions national consumer panel. Over 11,000 consumers, mostly high frequency and high involvement in the wine category, with significant portion of high end wine consumers.

METHODOLOGY: All WO panelists were sent an email invitation to the survey, with a link to the online survey embedded in the invitation. Completion of the survey entered all participants into a lottery for various cash rewards.

RESULTS FILTERED: This presentation covers results from survey participants who:

- consume wine on a high-frequency basis (more often than once a week) and also
- buy high-end wine (defined as $20 or more) at least monthly

RESPONDENTS (FILTERED):

- N = 475
- 68% male, 32% female
- 54% Boomer, 26% GenX, 16% Millennial
- 44 states, 22% CA, 10% NY, 5-6% each TX, NJ, IL, FL, OR-WA

Q: Thinking of when you typically buy wines priced above $20, please rate the following features in terms of importance to your buying decision.

FEATURE	HIGHLY IMPORTANT (5)	(4)	(3)	(2)	Not Important (1)	**MEAN RATING**
Familiar with region's wines	33%	44%	16%	4%	3%	**4.0**
Brand/producer have heard of or tried	31%	45%	18%	5%	1%	**4.0**
Have visited region	29%	28%	20%	10%	15%	**3.5**
Recommendation from a friend	22%	46%	20%	9%	3%	**3.7**
Recommendation by a store or restaurant staff	17%	44%	25%	9%	5%	**3.6**
High scores from a leading wine magazine or critic	10%	36%	30%	17%	8%	**3.2**
Read about in an article or blog post	10%	34%	34%	15%	7%	**3.3**
Is priced slightly below other wines I considered	5%	23%	33%	23%	16%	**2.8**
Made using organic/ sustainably farmed grapes	3%	17%	34%	28%	18%	**2.6**

COMPARE WITH ALL HFs??? CONDENSE

7. Are you familiar with and have you tried wines from the regions listed below? Choose the one answer that best represents your experience.

REGION	Buy/Drink Regularly	Tried a number of times	Tried once or twice	Heard of, not tried	Know little or nothing of
Napa Valley	68%	28%	3%	0%	1%
Sonoma County	66%	28%	4%	2%	1%
Oregon	33%	47%	14%	4%	2%
Willamette Valley	33%	42%	14%	4%	8%
Washington	32%	48%	15%	3%	2%
Walla Walla Valley	17%	37%	23%	10%	13%
Southern Oregon	9%	39%	28%	12%	13%
Columbia Gorge	9%	34%	25%	13%	19%

PN drinkers
40%
38%
11%

Top of Mind Associations by Oregon Wine Region - Details

Oregon	
Pinot Noir (general)	47%
Good/excellent wines	9%
Good/great Pinot Noir	6%
White wines/Pinot Gris/Riesling	5%
Up and coming	4%
Southern Oregon	
Pinot/Pinot Noir (general)	25%
Good/excellent wines	8%
Little known/underdeveloped	7%
While wines/Pinot Gris/Riesling	6%
Unfamiliar	5%
Columbia Gorge	
Cabernet Sauvignon/good/excellent Cabernet	7%
Good/excellent wines	7%
Good value/QPR; Red wine/good reds; white wine/good whites	6%
Willamette Valley	
Pinot Noir (general)	44%
Good/great Pinot Noir	18%
Good/excellent wines	5%
White wines/Pinot Gris/Riesling	5%
Red wines/good reds (general)/Cabernet/Syrah/blends	5%

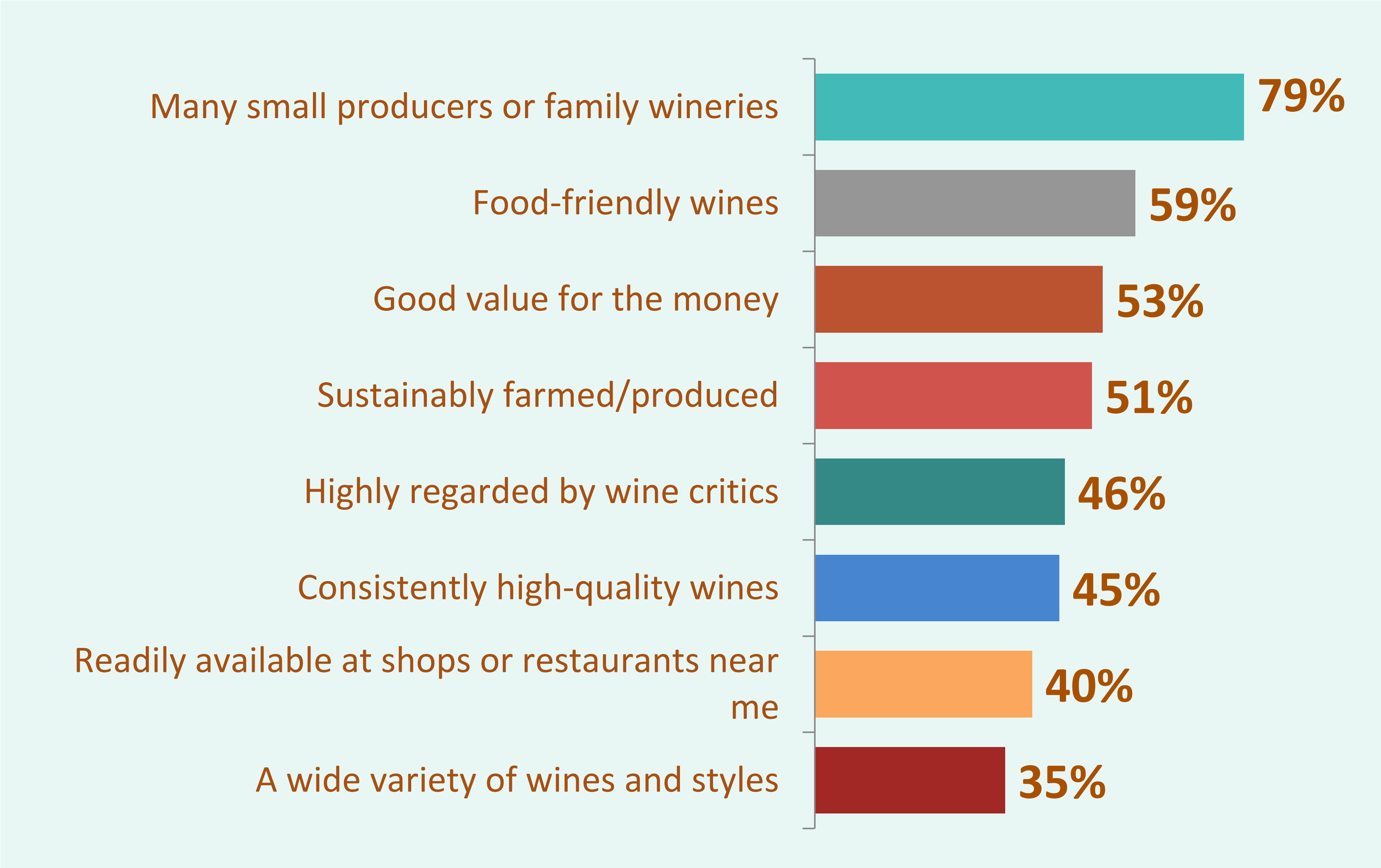
Wine Quality & Value Ratings by Wine Region

	QUALITY			VALUE	
REGION	*% TOO UNFAMILIAR TO RATE*	**MEAN RATING**		*% TOO UNFAMILIAR TO RATE*	**MEAN RATING**
Napa Valley	*0%*	4.4		0%	2.6
Sonoma County	*1%*	4.1		0%	3.3
Washington	*9%*	3.4		9%	3.4
Oregon	*11%*	3.4		11%	3.2
Willamette Valley	*16%*	3.9		15%	3.2
Walla Walla Valley	*32%*	3.6		33%	3.4
Southern Oregon	*46%*	3.1		47%	3.1
Columbia Gorge	*49%*	3.1		50%	3.3

Familiarity & Consumption by Variety

VARIETY	Percent Drinking Monthly or more often		Did Not Know it was made in Oregon
	From Any Source	From Oregon	
Pinot Noir	**78%**	**40%**	6%
Chardonnay	50%	4%	20%
Riesling (Millennials 27% occasional!)	23%	4%	31%
Pinot Gris	**22%**	**11%**	**26%**
Pinot Blanc	12%	2%	34%
Cabernet Sauvignon	84%	4%	25%
Syrah	61%	3%	31%
Tempranillo	38%	2%	61%
Red Blends	81%	7%	17%

Attributes Associated with Oregon Wines



Reasons Might Not Purchase Oregon Wines
(Base = do not purchase Oregon wines regularly)

32% without Californians!

I prefer wines from other regions	**44%**
I know very little about the wines of Oregon	**42%**
I rarely or never see Oregon wines where I shop for wine	**39%**
Oregon doesn't make wines of the varieties that I like most	18%
Oregon wines are too expensive	10%
I have found the wines of Oregon to be of inconsistent quality	10%
I seldom see good reviews or high critics scores on wines from Oregon	9%
Oregon wines are not a good value for the money	9%
I don't like the taste of wines I have tried from Oregon	5%
People whose wine knowledge I trust do not recommend Oregon wines	4%

61% of total

“ Wine Opinions ”

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QUESTIONS?

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