

BENCHMARKING, MONITORING & OPTIMIZING YOUR WINE BUSINESS FOR MAXIMUM PROFITABILITY



FEBRUARY 20, 2018



BENCHMARKING

MEASURE WHAT MATTERS

HEALTH CHECK-UP

PROFIT AND SALES CHANNEL CALCULATOR

Small-scale, fully-integrated winery example (5,000 cases)

	Base Case
Margins	
Total Revenue	100%
Total Cost of Goods Sold	44%
Gross Margin	56%
Sales and Marketing	25%
General and Administrative	30%
Total Operating Expenses	55%
Operating Income	1%
Metrics	
Suggested Retail Bottle Price	\$35
Cases Sold DTC	1,250 (25%)
Cases Sold Wholesale	3,750 (75%)
Avg. Revenue / Case	\$252

Small-scale, fully-integrated winery example (5,000 cases)

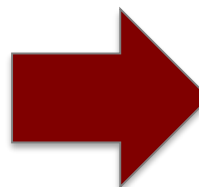
	DTC Channel	Trade Channel
Margins		
Total Revenue	100%	100%
Total Cost of Goods Sold	25%	55%
Gross Margin	75%	45%

Small-scale, fully-integrated winery example (5,000 cases)

	Base Case	Optimized
Margins		
Total Revenue	100%	100%
Total Cost of Goods Sold	44%	28%
Gross Margin	56%	72%
Sales and Marketing	25%	25%
General and Administrative	30%	30%
Total Operating Expenses	55%	55%
Operating Income	1%	17%
Metrics		
Suggested Retail Bottle Price	\$35	\$35
Cases Sold DTC	1,250 (25%)	4,250 (85%)
Cases Sold Wholesale	3,750 (75%)	750 (15%)
Avg. Revenue / Case	\$252	\$353

Mid-size, fully-integrated winery example (20,000 cases)

	Base Case	Optimized
Margins		
Total Revenue	100%	100%
Total Cost of Goods Sold	48%	39%
Gross Margin	52%	61%
Sales and Marketing	25%	25%
General and Administrative	20%	20%
Total Operating Expenses	45%	45%
Operating Income	7%	16%
Metrics		
Suggested Retail Bottle Price	\$35	\$35
Cases Sold DTC	3,000 (15%)	8,000 (40%)
Cases Sold Wholesale	17,000 (85%)	12,000 (60%)
Avg. Revenue / Case	\$235	\$277



DISCUSSION TOPICS

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EXECUTIVE OVERVIEW LEVELS 1 & 2 – SURFACE DATA

LEVEL ONE:

- Total Dollar Sales
- Total Case Sales
- % DTC vs. % Trade
- DTC Growth Rate
- % Trade
- Trade Growth Rate

LEVEL TWO:

- DTC # Club Members
- DTC Mailing List Size
- DTC TR Traffic (\$ / Visitor)
- DTC TR Payroll
- Trade # States
- Trade Sales to Distributors

EXECUTIVE OVERVIEW LEVEL 3 – ACTIONABLE DATA

LEVEL ONE:

- Total Dollar Sales
- Total Case Sales
- %DTC Growth Rate
- % DTC
- % Trade
- Trade Growth Rate

LEVEL TWO:

- DTC # Club Members
- DTC Mailing List Size
- DTC TR Traffic (\$ / Visitor)
- DTC TR Payroll
- Trade # States
- Trade Sales to Distributors

LEVEL THREE:

- Performance vs. PY not just vs. Budget
- Conversion Rates: for Wine, for Club, for Data
- Average Order Value
- Labor % of Sales
- Team Member Sales Data
- Club Data - Per Employee, % Shipped, Attrition
- Trade Actionable Data . . .

MEASURE WHAT MATTERS – WHOLESALE SALES & DISTRIBUTION

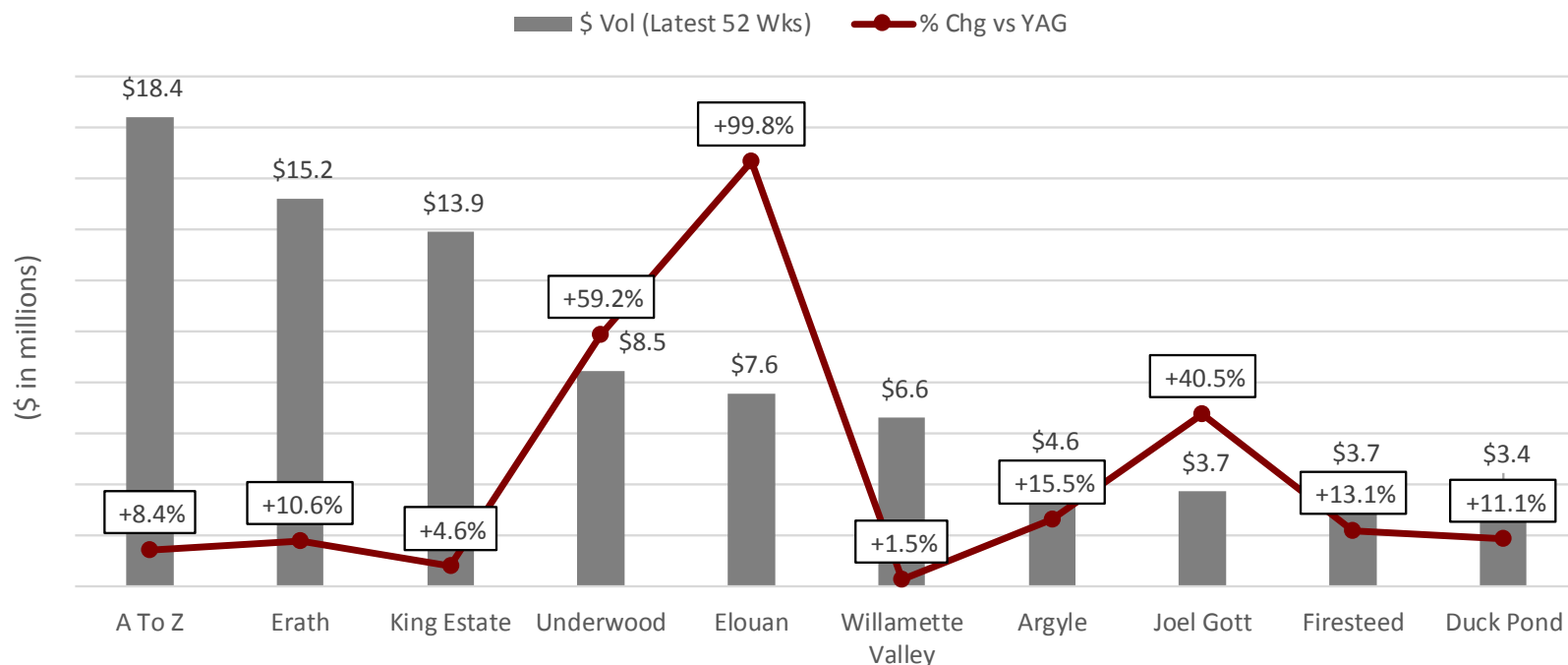
Best-in-class wineries with wholesale channel emphasis track and analyze depletion and scan data



MEASURE WHAT MATTERS – WHOLESALE SALES & DISTRIBUTION

Example - Nielsen scan data below summarizes \$ volume, growth rates, and other KPIs for top Oregon brands

Top 10 Oregon Brands by Volume, All Varietals and All Price Points



Average Price	\$15.14	\$15.23	\$15.55	\$12.27	\$18.93	\$17.76	\$22.96	\$15.12	\$12.07	\$11.60
% on Promo	40.3%	49.3%	39.4%	26.0%	35.3%	44.9%	34.9%	47.9%	39.6%	51.5%
Max. ACV	49.1%	45.4%	30.2%	31.1%	32.4%	21.5%	23.4%	15.6%	18.1%	8.2%

Source: Nielsen food and liquor channels, 52 weeks ended December 30, 2017

MEASURE WHAT MATTERS – DTC SALES

Wine Business Monthly / Silicon Valley Bank Annual Survey Benchmarks

Tasting Room	Oregon	Total US
Tasting Room Growth	14%	15%
Tasting Room Visitors	8,535	13,396
Wine Order Value	\$77	\$122
Wine Order Conversion	68%	66%
- Tasting Bar	---	66%
- Private Seated	---	73%
% Standing	---	62%
% Seated	---	38%
Tasting Fee	\$13.33	\$14.82
Reimburse Tasting Fee	100%	83%

MEASURE WHAT MATTERS – DTC SALES

Wine Business Monthly / Silicon Valley Bank Annual Survey Benchmarks

Wine Club	Oregon	Total US
Wine Club Growth	11%	14%
Annual \$ / Member	\$605 / year	\$750 / year
Member Tenure	30 months	30 months
Member Lifetime Value	\$1,515	\$1,886
Staff Commission	\$22 / sign-up	\$21 / sign-up
Annual Attrition	16%	16%
Club Conversion Rate	4.2%	6.8%
- Tasting Bar	- - -	3.4%
- Private Seated	- - -	11.4%
Membership Size	1,294	1,953

MEASURE WHAT MATTERS – DTC SALES

Metrics are only the first step . . .



Seek to
understand both
WHAT is happening
as well as
WHY it is happening

DISCUSSION TOPICS

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Accurate, timely financial information and adequate documentation are critical to running a successful winery

Clean-Up Financial Information

- Audited or reviewed financial statements compliant with GAAP and industry standards
- Owner Discretionary Expenses - should be flagged and removed when assessing performance

Proper Documentation

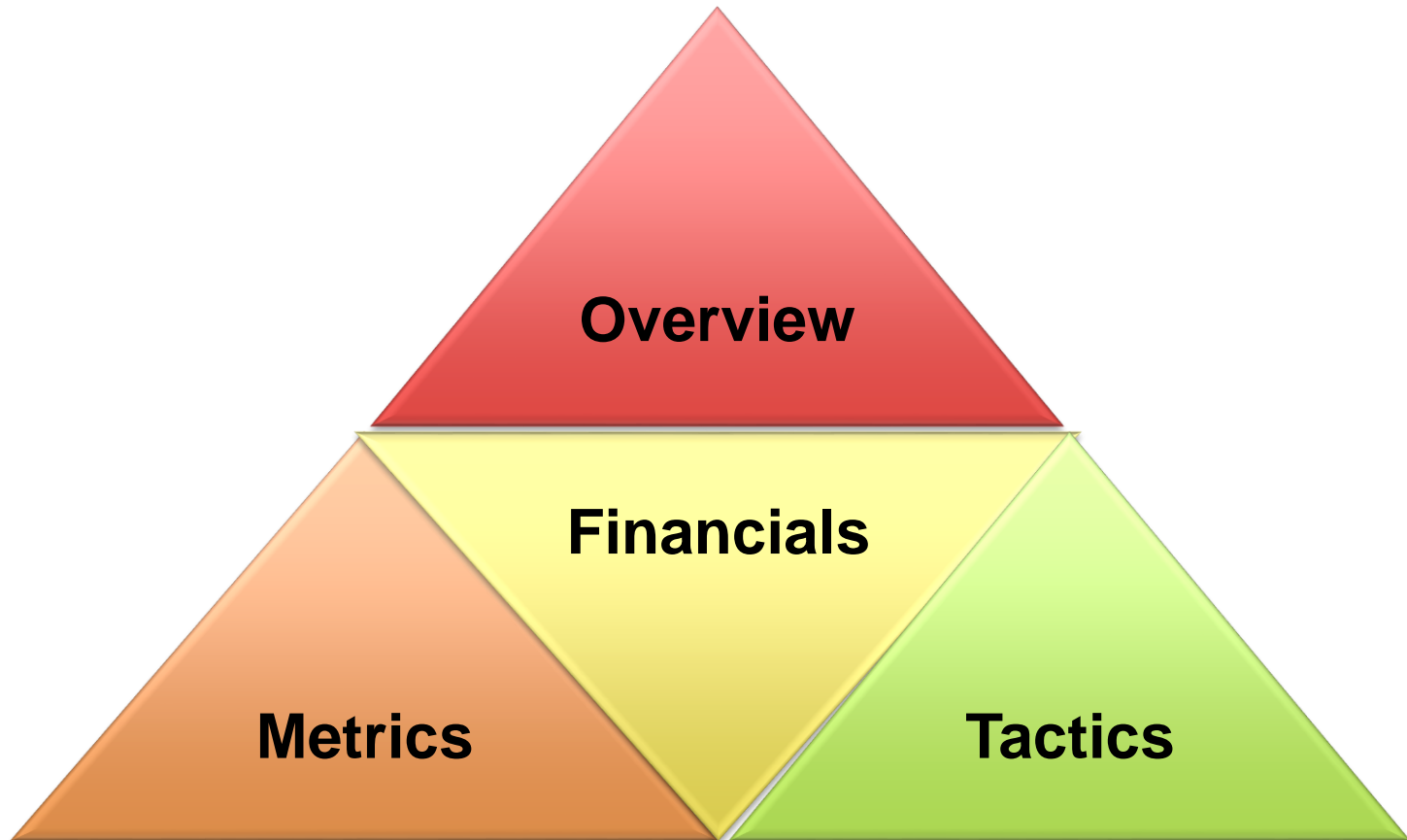
- Trademarks – proper registration and active defense
- Grape and bulk wine contracts – avoid “handshake” agreements
- Ensure assignability of contracts
- Assess distributor contracts for termination fees
- Validity of operating permits and licenses
- Employees - Confidentiality Agreements

PLANNING CYCLE

The Planning Cycle itself drives winery success



Budgeting process includes much more than just the financials



DISCUSSION TOPICS

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OWB

About

S1 Project Information

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Welcome to the Oregon Wine Gross Margin Calculator

sponsored by the Oregon Wine Board, developed by Tim Hanni MW

Winery name

Your Name Here

Name of this wine on label

Case Production of this wine:

10,000

Enter target RETAIL Selling Price per bottle:

49.99

Projected price including freight, taxes, distributor
and retail markups:

\$48.43

NOTE: this cell populates after all other information entered and
includes FOB, distribution and retail markups

Date (click to fill):

Total Revenue:

\$5,998,800.00

Grape Costs

Gross Margin/cs: \$103.50

Total Gross Margin: \$1,035,022.73

INSTRUCTIONS: Select Varietal in first column from pulldown list. Avg Cost per ton will autopopulate in next column, which you may override if you know your cost per ton. Then enter the percentage of total in third column (if blend; Enter 100% if not). Benchmark data in remaining columns available as a reference .

Select Varietal from Pulldown	Enter Your Cost Per Ton	Variety % of Total	Total Cost per Ton	Reference: Benchmark Costs (USD per ton) by Region. \$0.00 or blank cells indicate no benchmark price available at this time.							
		100%	\$2,422.00	OR Avg	OR Low	OR High	N. Willamette	S. Willamette	Umpqua Valley	Rogue Valley	Columbia River
Pinot Noir ▼	2,422.00	100%	\$2,422.00	\$2,422.00	\$962.00	\$5,376.00	\$2,582.00	\$2,471.00	\$2,061.00	\$2,202.00	\$1,955.00
Select (Pulldown) ▼		0%	\$0.00								
Select (Pulldown) ▼		0%	\$0.00								

Thank you!



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