WINE MARKET COUNCIL

Wine Tourism & DtC Trends

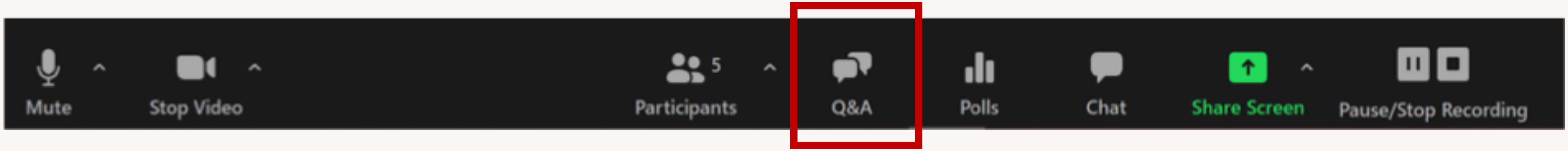
March 28th, 2023

We Want to Hear From You

Ask Questions during the webinar

Dale and Christian are monitoring

If we don't get to your question now, we will follow up



dstratton@winemarketcouncil.com or
cmiller@winemarketcouncil.com

We will post a recording and the presentation decks in the member section of our website winemarketcouncil.com

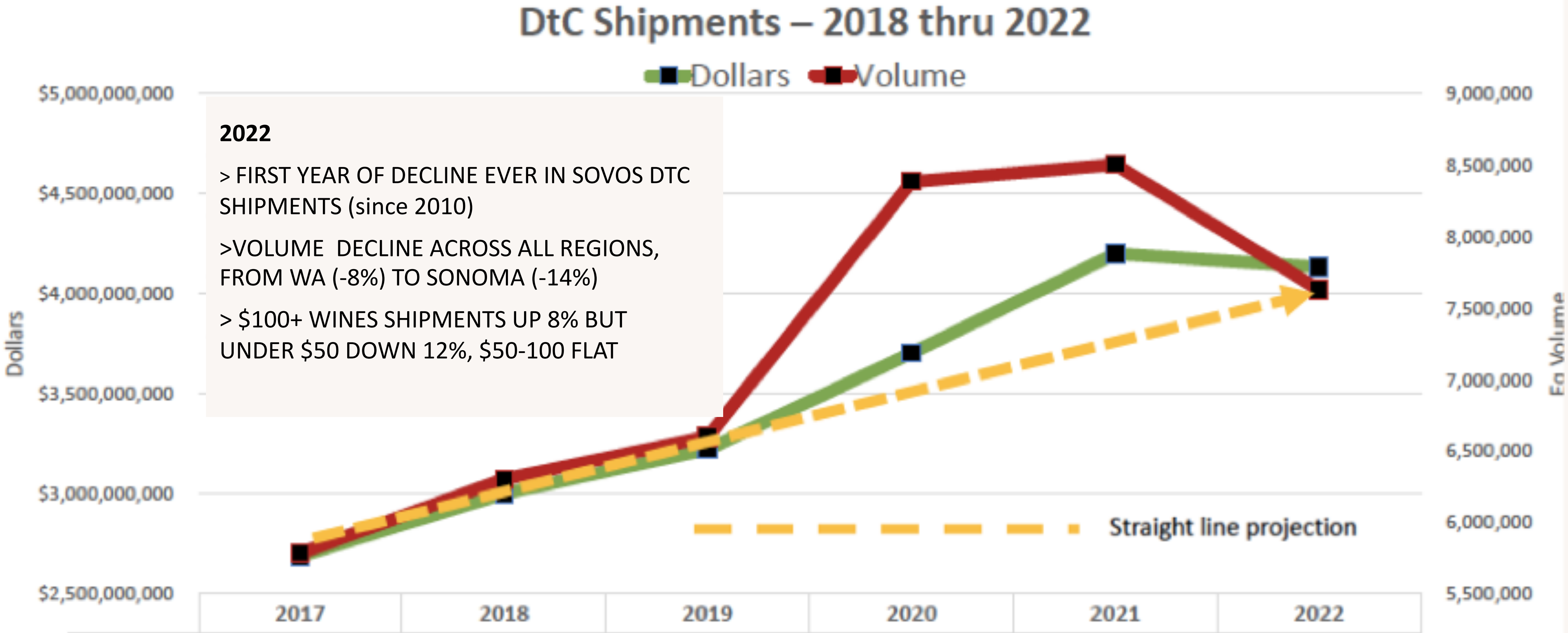
Today's Guest Speakers

- Dave Bratton
  - Founder and Managing Director of Destination Analysts
- Linsey Gallagher
  - President & CEO of Visit Napa Valley
- Andrea Smalling
  - Chief Marketing Officer of WineDirect

Christian Miller

Research Director Wine Market Council

In 2022, DtC Shipments “Returned to the Mean”



2022

> FIRST YEAR OF DECLINE EVER IN SOVOS DTC SHIPMENTS (since 2010)

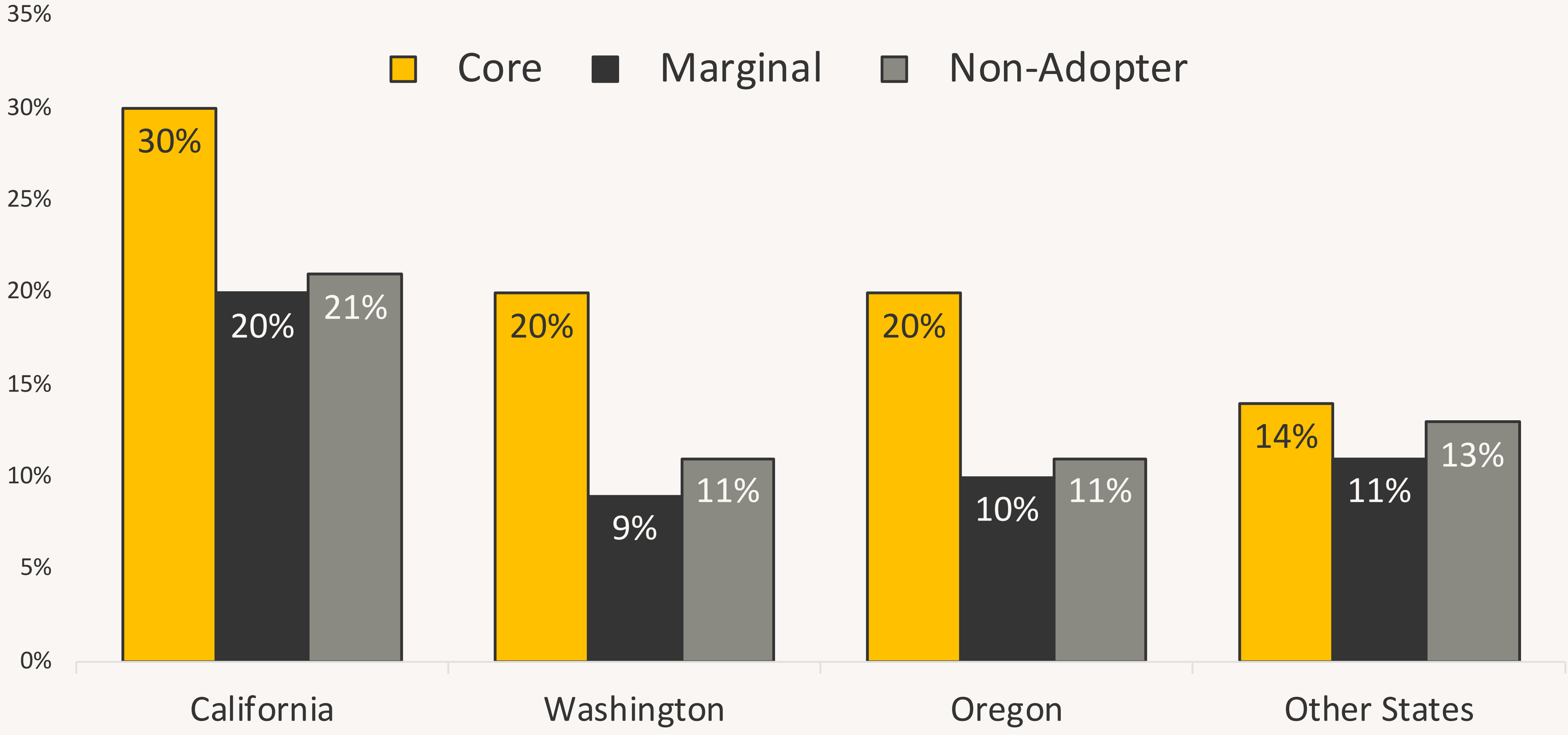
>VOLUME DECLINE ACROSS ALL REGIONS, FROM WA (-8%) TO SONOMA (-14%)

> $100+ WINES SHIPMENTS UP 8% BUT UNDER $50 DOWN 12%, $50-100 FLAT

	2017	2018	2019	2020	2021	2022
Dollars	$2,691,717,000	$3,003,318,112	$3,224,688,824	$3,705,842,605	$4,201,450,284	$4,135,109,565
Volume	5,788,489	6,304,470	6,601,773	8,385,907	8,507,189	7,630,338

Source: WINES VINES ANALYTICS SOVOS ShipCompliant

People Planning to Visit Wineries: % by State & Consumer Segment



Base: U.S. wine drinkers, n=1,772
Source: WMC – U.S. Wine Consumer Segmentation Survey, October-November 2021

Intent to Visit Wine Country – Wine Drinkers By Age & Segment

	Plan to visit wineries in next 1-2 years in...			
Consumer Type	**California**	**Oregon**	**WA**	**Other States**
Gen Z	46%	18%	39%	20%
Millennial	34%	25%	26%	13%
Gen X	27%	16%	13%	14%
Boomer	15%	7%	6%	12%

May not add to 100% due to rounding
*Non-Adopter = drink beer, spirits or other alcohol but not or rarely wine

WINE MARKET COUNCIL

Base: U.S. Wine drinkers, n=1,772.
Source: WMC – U.S. Wine Consumer Segmentation Survey, October-November 2021

Wine Country Visitation Experience – Wine Drinkers By Ethnicity

	Ethnicity (self-identified)			
Visitation Status	**White**	**Hispanic**	**Black**	**Asian**
Visited in the Past				
California	32%	30%*	17%	51%*
Oregon/Washington (avg)	12%	15%	5%	7%*
Other states	29%	13%	19%	16%
Plan to Visit Next 2 Years				
California	22%	31%*	31%	41%*
Oregon/Washington (avg)	14%	17%	15%	29%*
Other states	13%	14%	12%	11%

May not add to 100% due to rounding
*ethnic population over-indexes In state

WINE MARKET COUNCIL

Base: U.S. Wine drinkers, n=1,772.
Source: WMC – U.S. Wine Consumer Segmentation Survey, October-November 2022





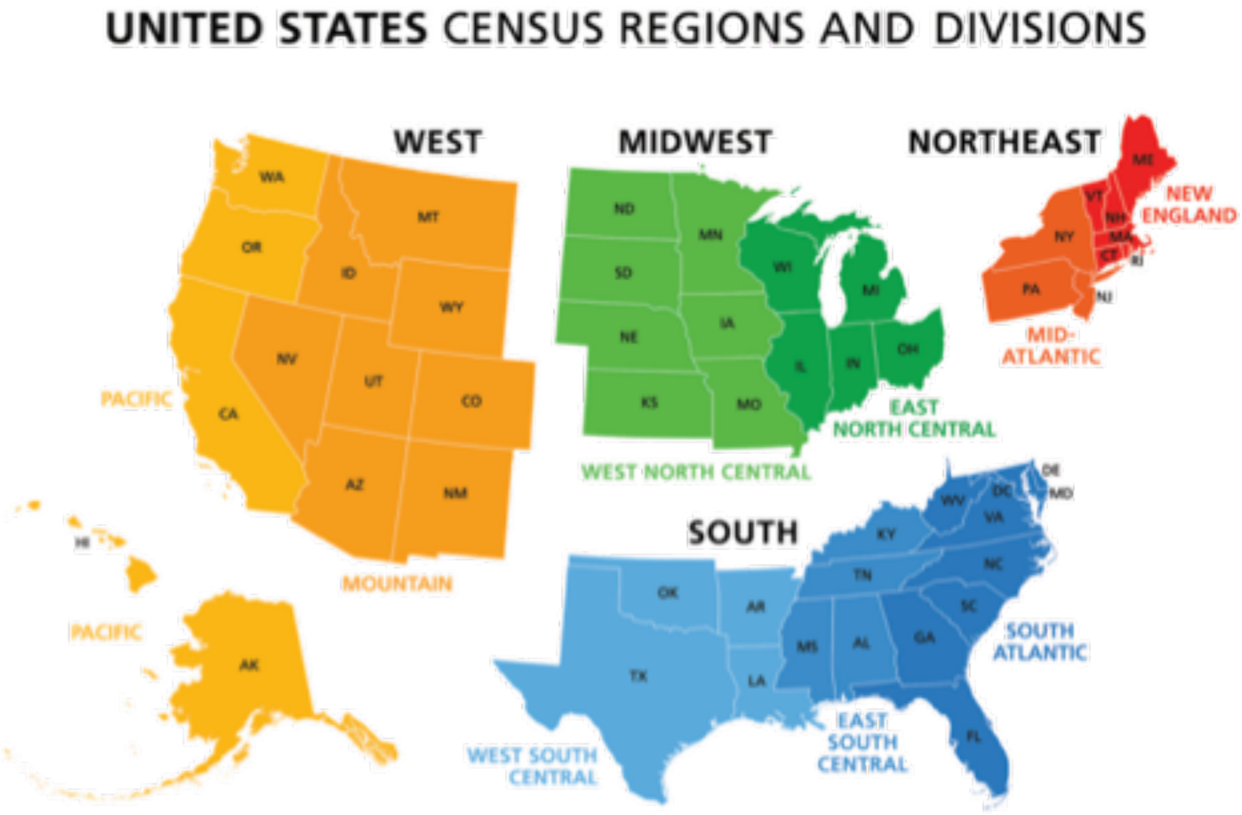

THE STATE OF THE WINE TRAVELER

Destinations Edition
March 2023

Destination Analysts

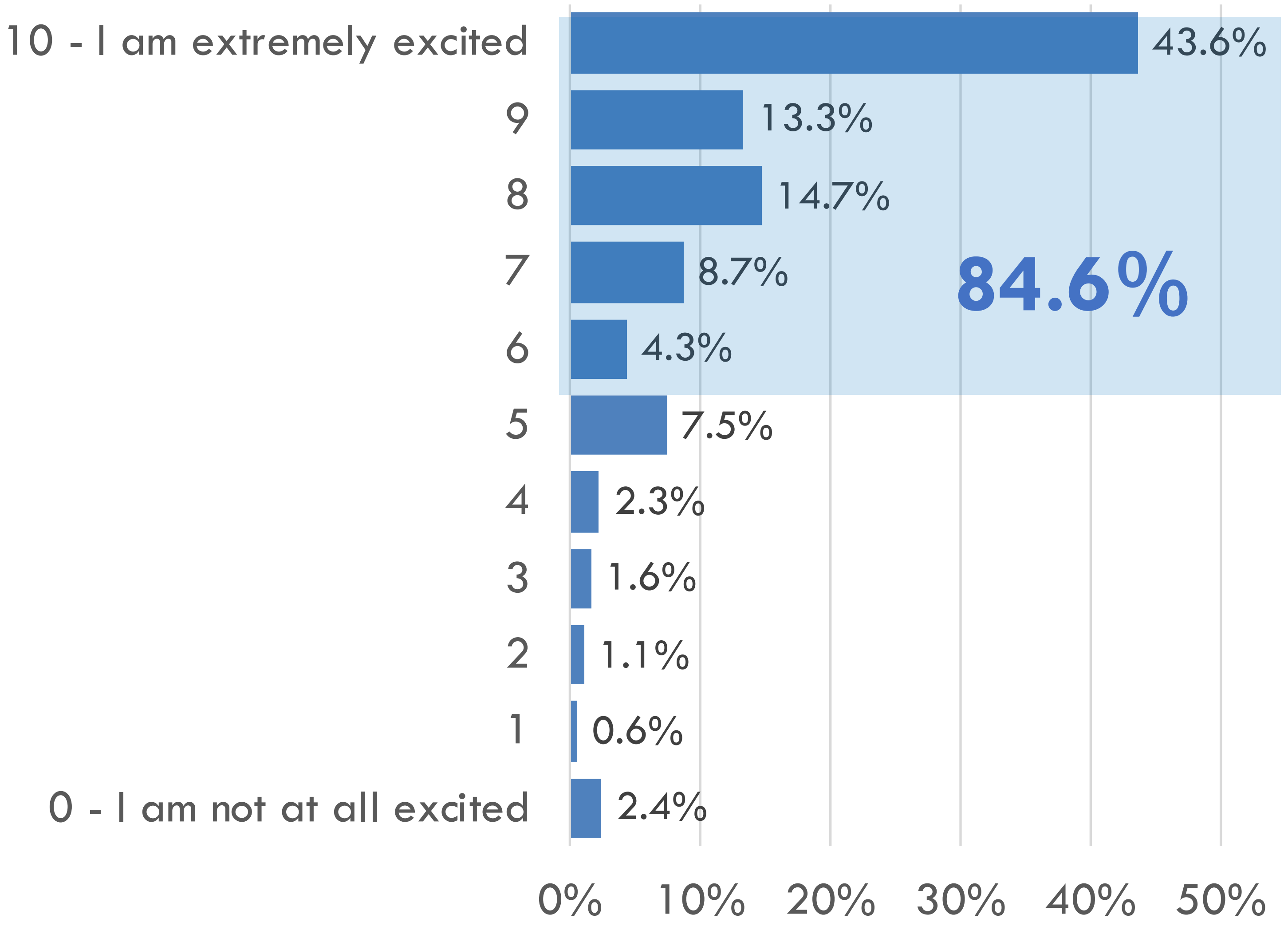
METHODOLOGY

- Monthly tracking survey
- Representative sample of adult American travelers in each of four U.S. regions
- Tracks traveler sentiment to generate insights into domestic travel trends
- Survey collected: January – February 2023
- 8,076 fully completed surveys collected each wave
- Confidence interval of +/- 1.07%
- Data is weighted to reflect the actual population of each region



Question:

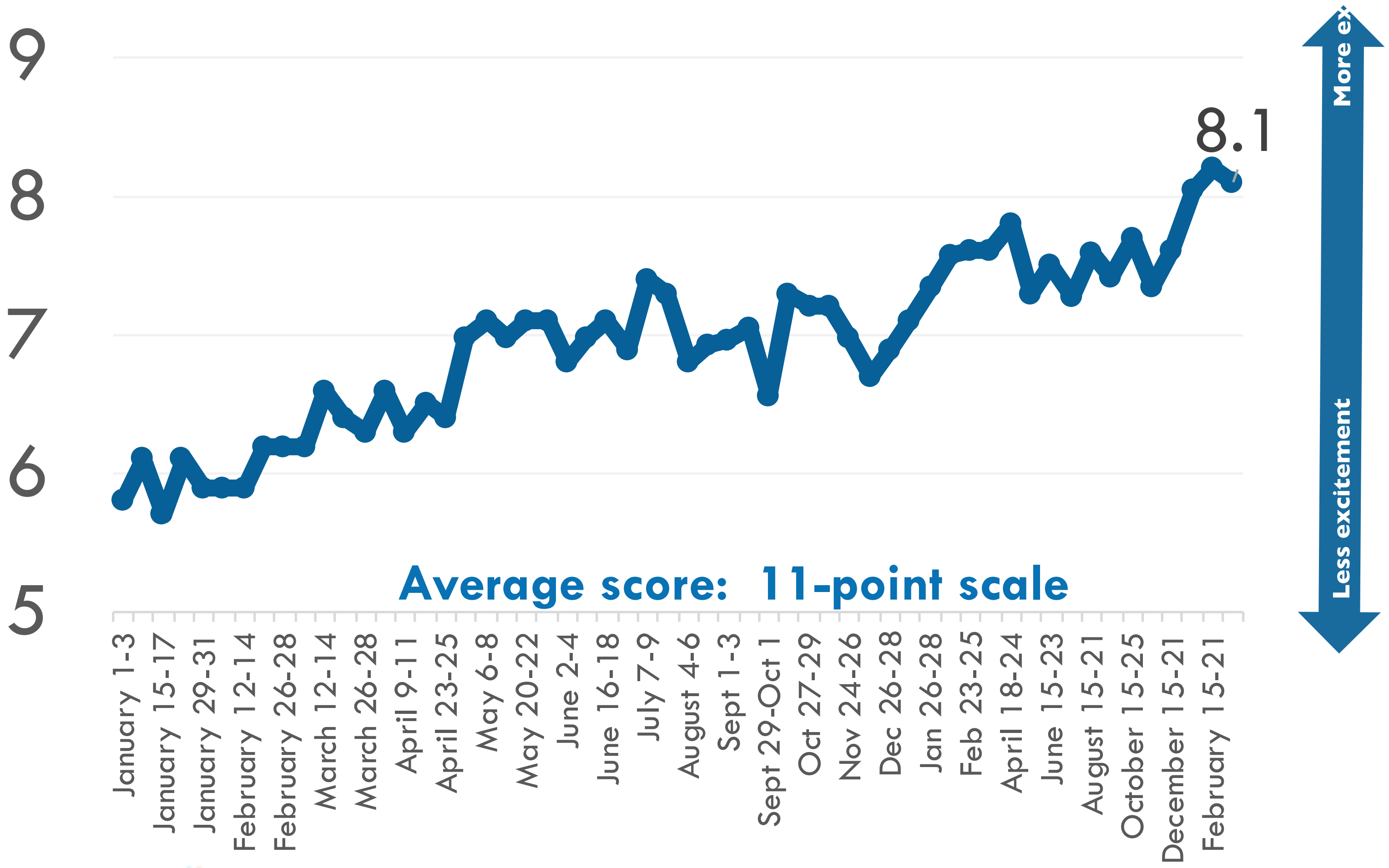
Which best describes how excited you are about <u>LEISURE TRAVEL</u> in the NEXT TWELVE (12) MONTHS? (Please answer using the 11-point scale below)



(Base: All respondents, 4,057 completed surveys. Data collected March 15-22, 2022.)

Destination Analysts

Question: Which best describes how excited you are about **LEISURE TRAVEL** in the NEXT TWELVE (12) MONTHS? (Please answer using the 11-point scale below)



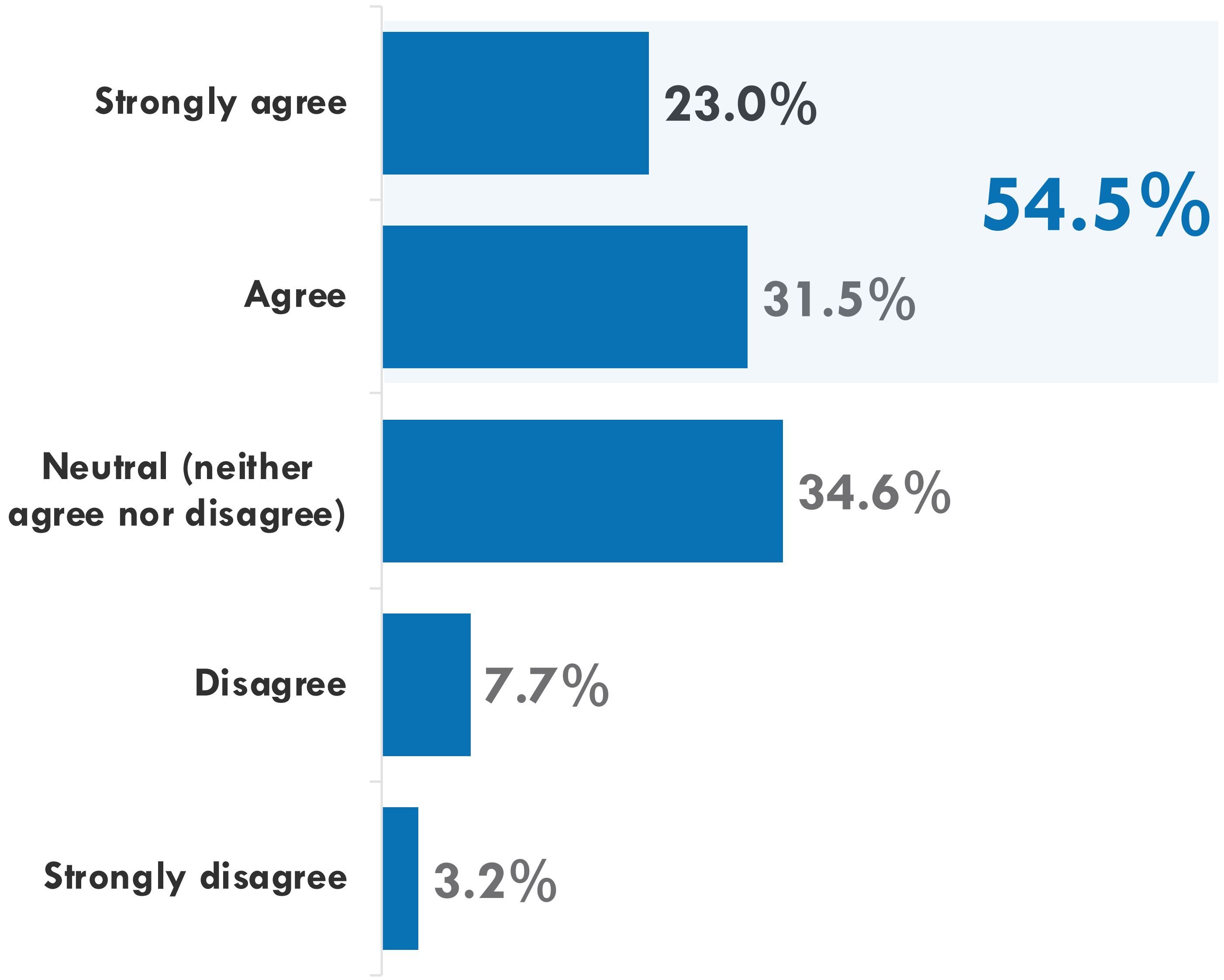
Destination Analysts

Question:

Which best describes how excited you are about **LEISURE TRAVEL** in the NEXT TWELVE (12) MONTHS? (Please answer using the 11-point scale below)

Question:

I expect the United States will enter an economic recession sometime in the NEXT SIX (6) MONTHS.

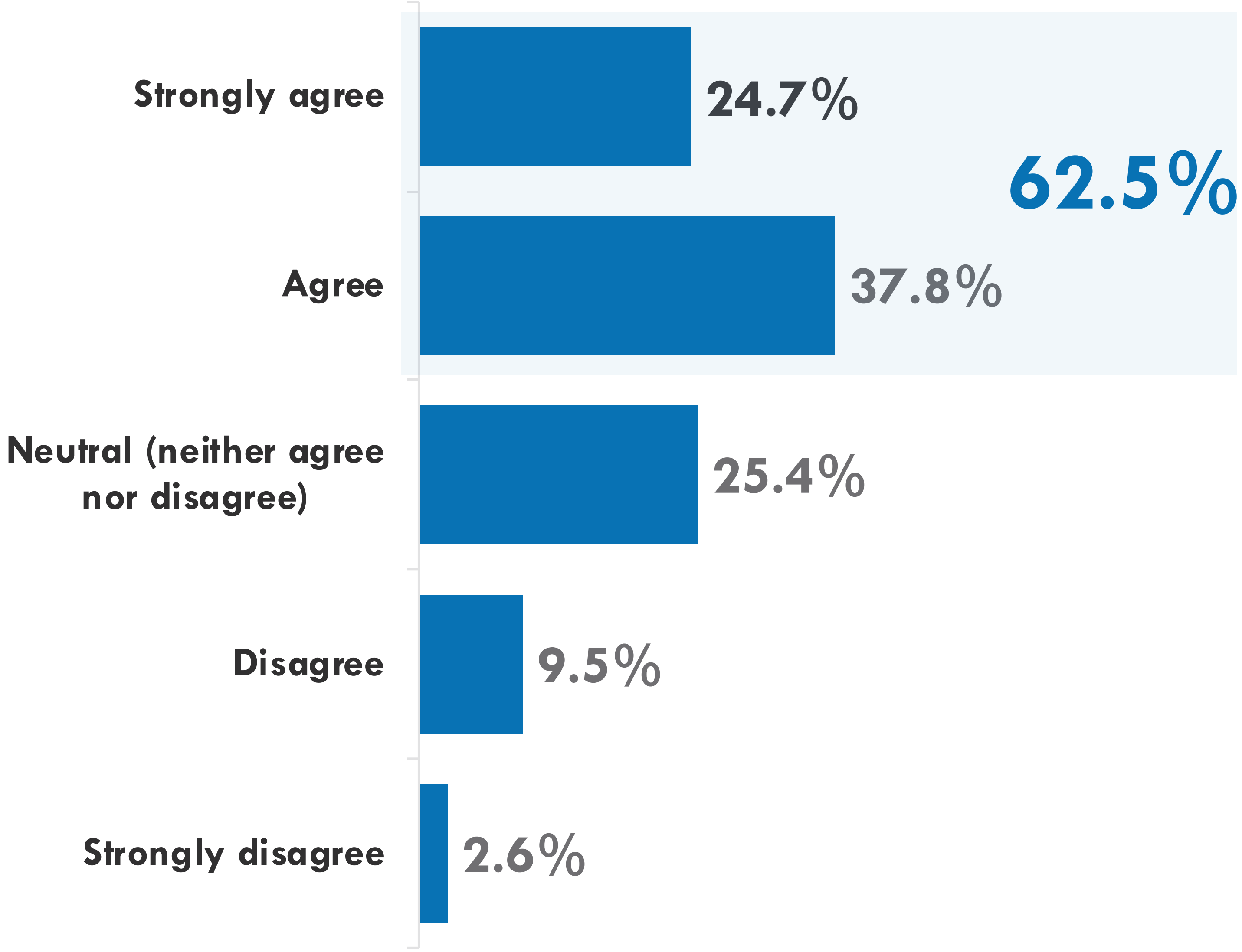


(Base: All respondents, 4,057 completed surveys. Data collected March 15-22, 2022.)

Destination Analysts

Question:

Right now, I am being careful with my money because I'm concerned about an upcoming recession.

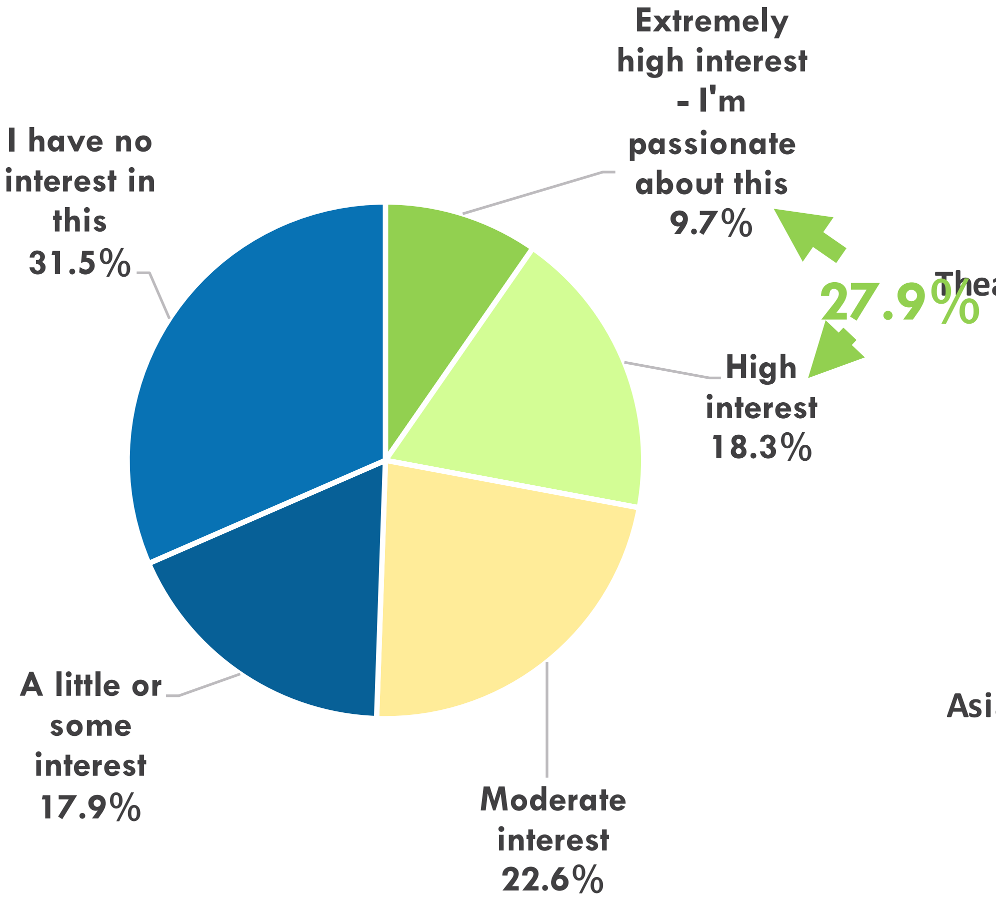


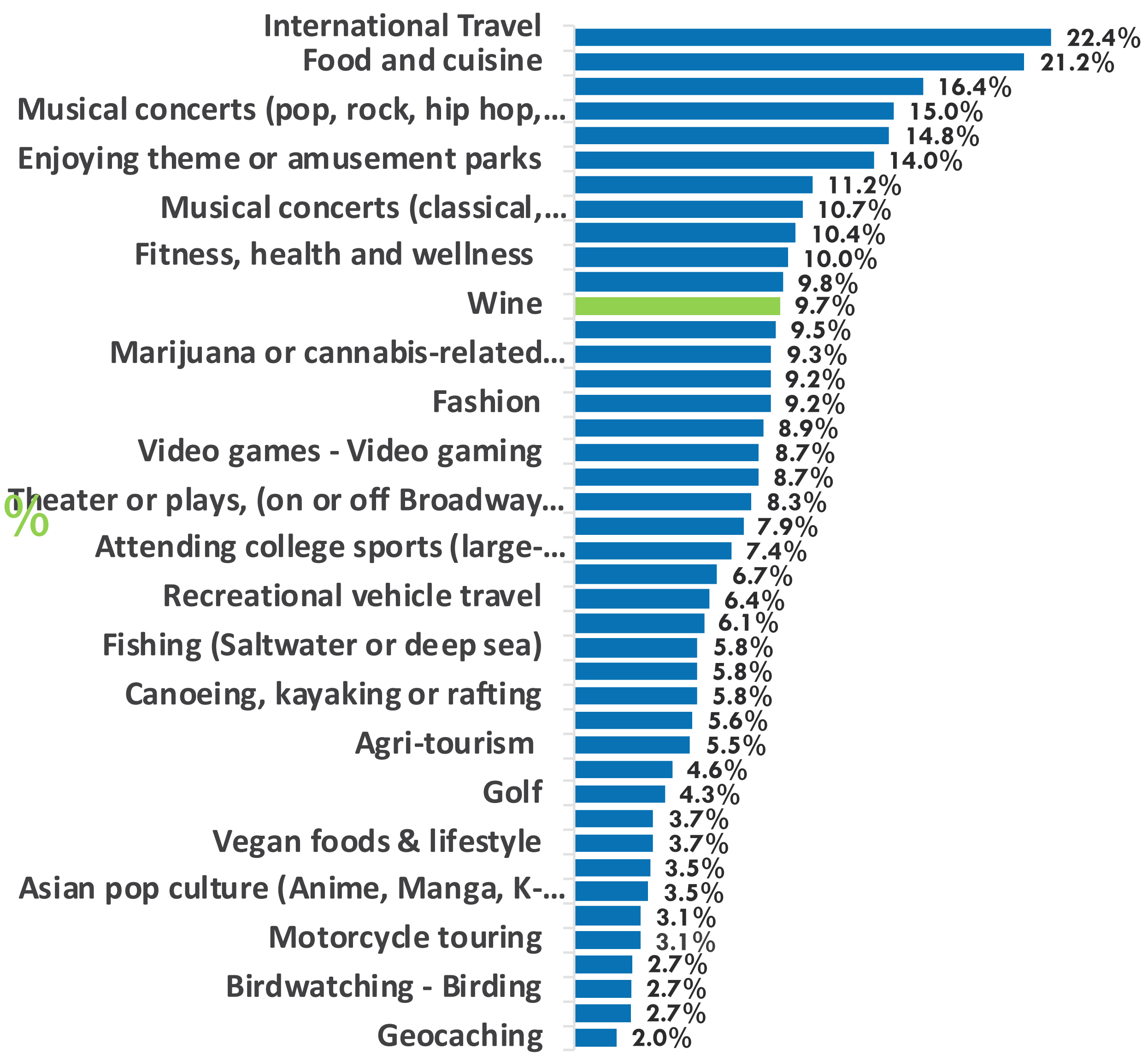
(Base: All respondents, 4,001 completed surveys. Data collected November 15-22, 2022.)

Destination Analysts

Question: Tell us about your hobbies and passions. Please use the scale below to describe your interest in each. WINE

American Traveler Passions





Destination Analysts

(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

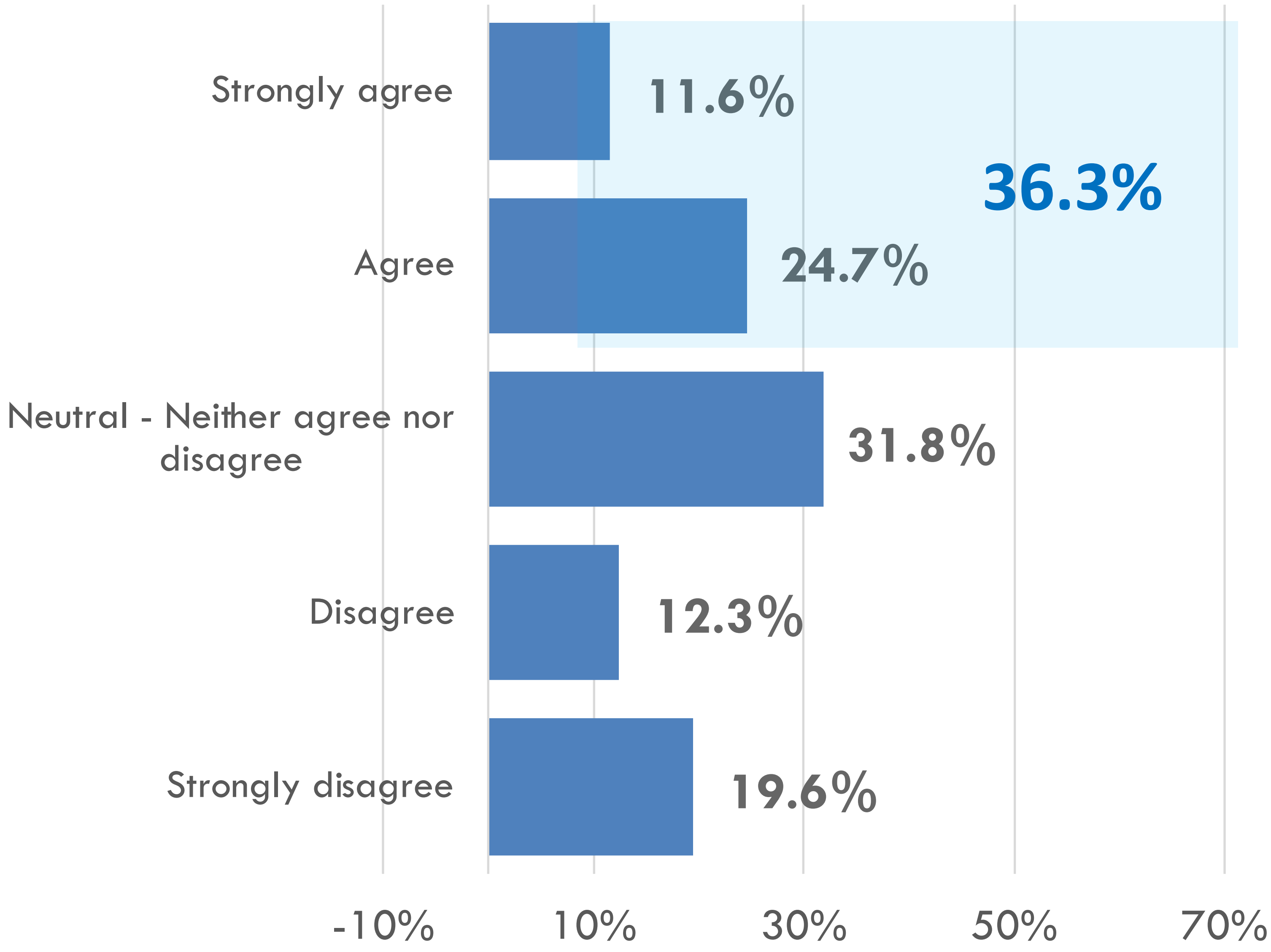
Question:

How much do you agree or disagree with the following statement?

Visiting wine country regions and wineries is something I love to do while traveling.

Destination Analysts

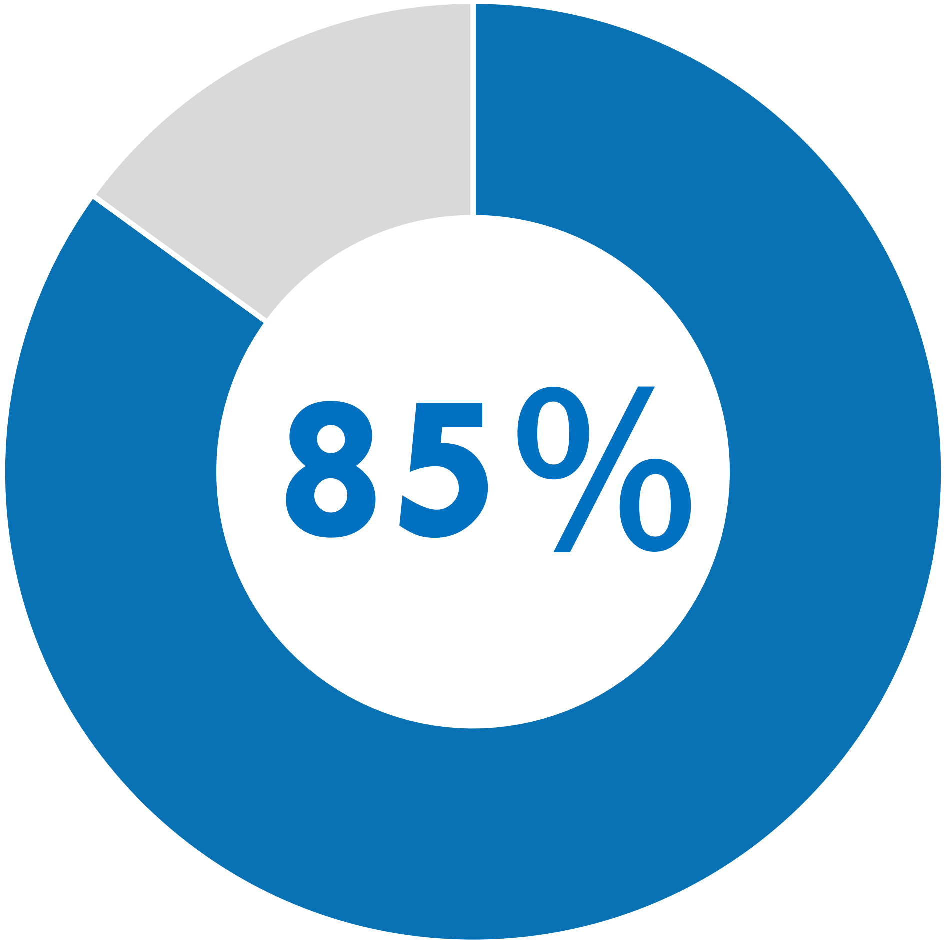
Love for Wine Country/Winery Experiences



(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Visiting wine country regions and wineries is something I love to do while traveling.

Travelers Passionate About Wine



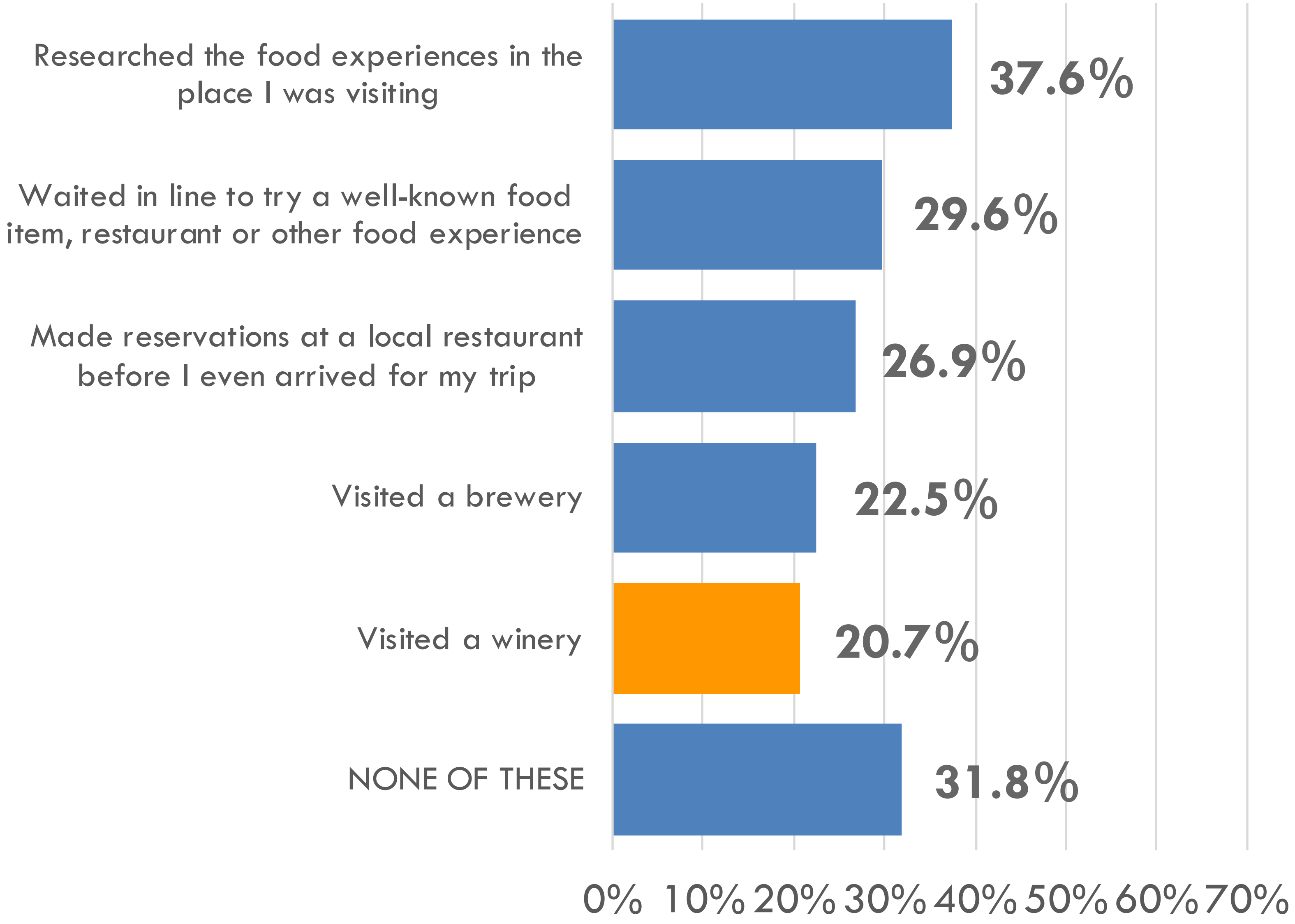
(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Question:

In the PAST TWELVE (12) MONTHS, which have you done while on a leisure trip?

Destination Analysts

Travel Activities in the Past Year

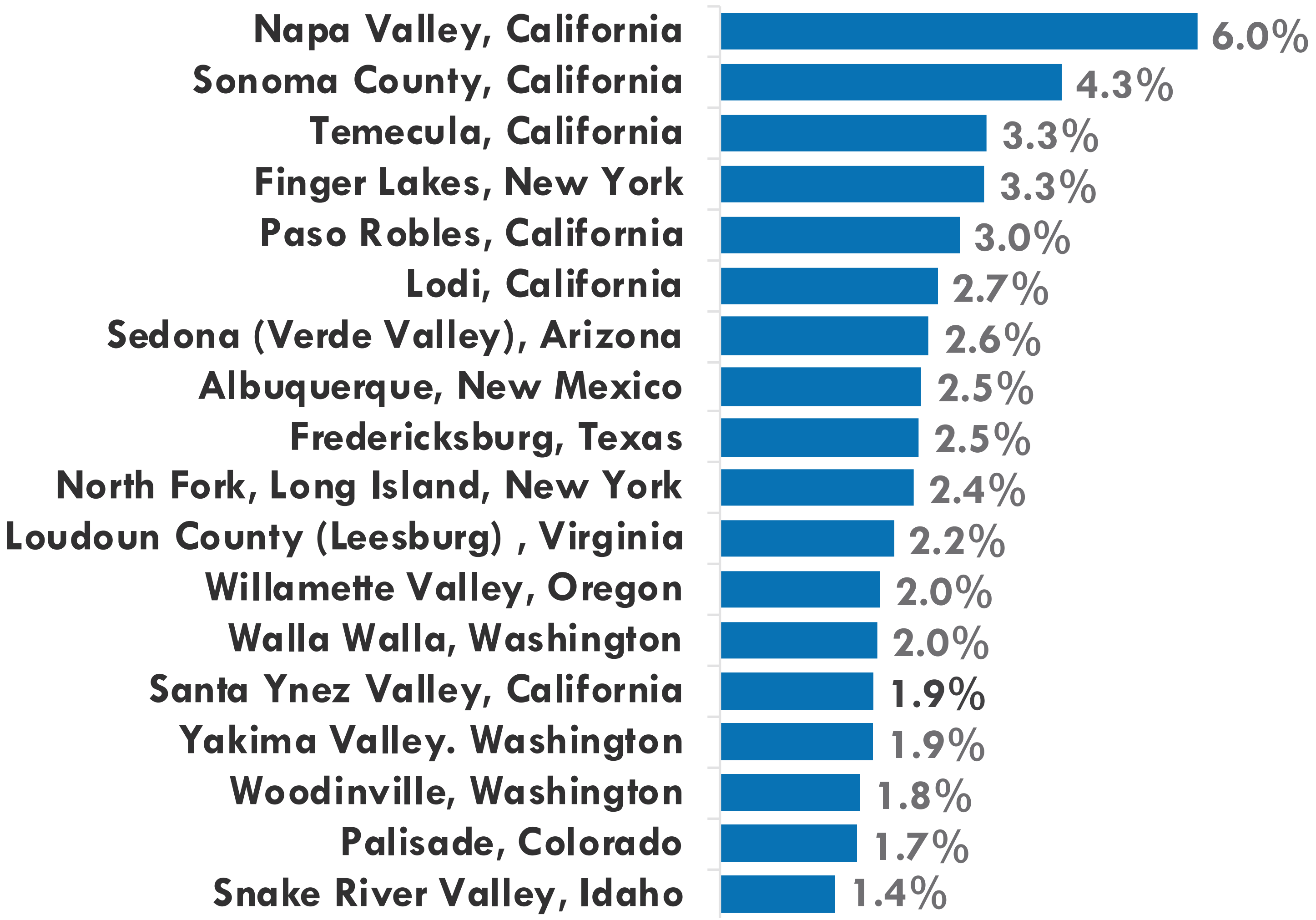


(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

WINE COUNTRY REGIONS VISITED (PAST 2 YEARS)

Question: Which of these WINE COUNTRY REGIONS have you visited in the PAST TWO (2) YEARS?

(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)



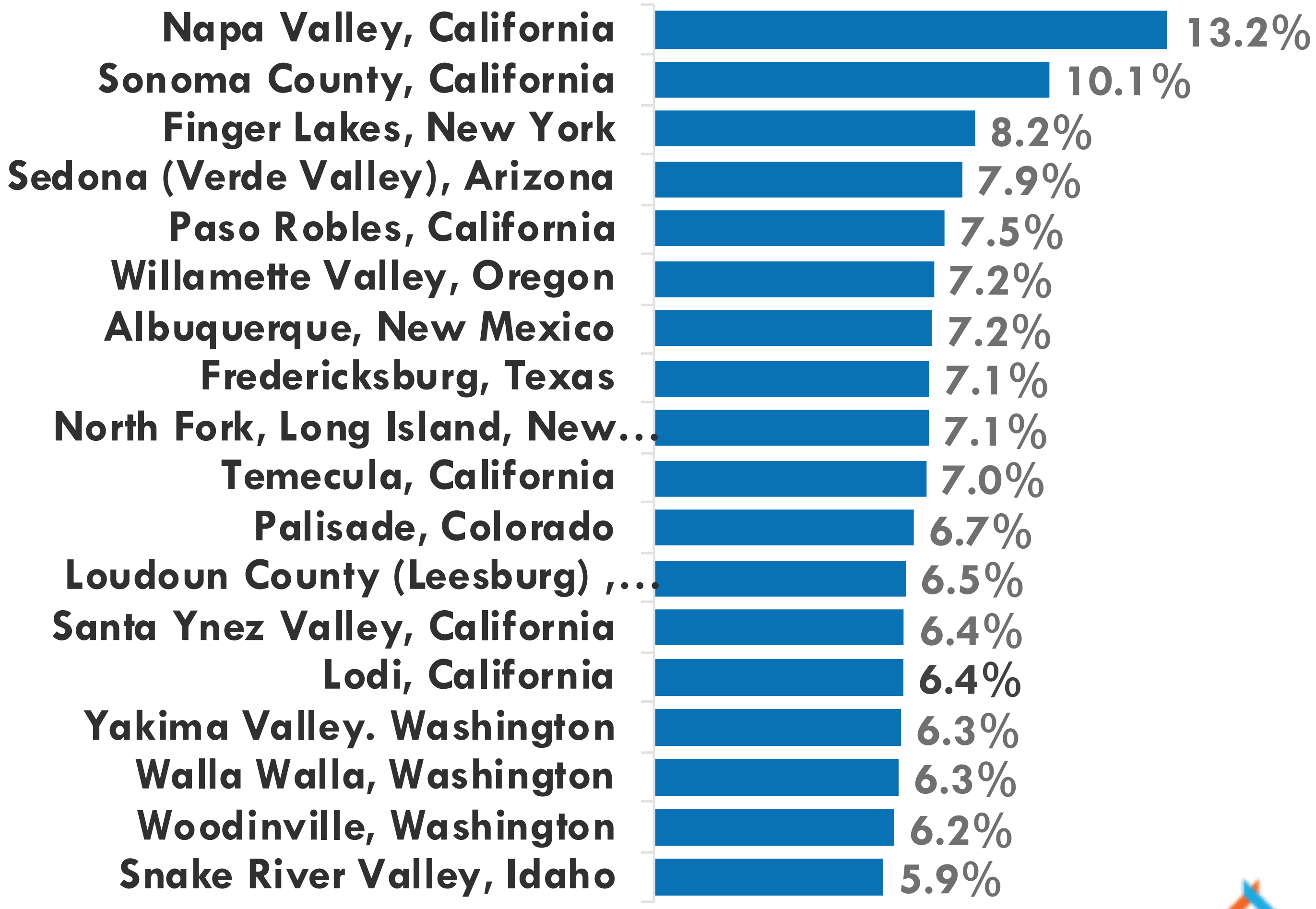
(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Destination Analysts

WINE COUNTRY REGIONS LIKELY TO VISIT (NEXT 2 YEARS)

Question: Which of these WINE COUNTRY REGIONS are you likely to visit in the NEXT TWO (2) YEARS?

(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)



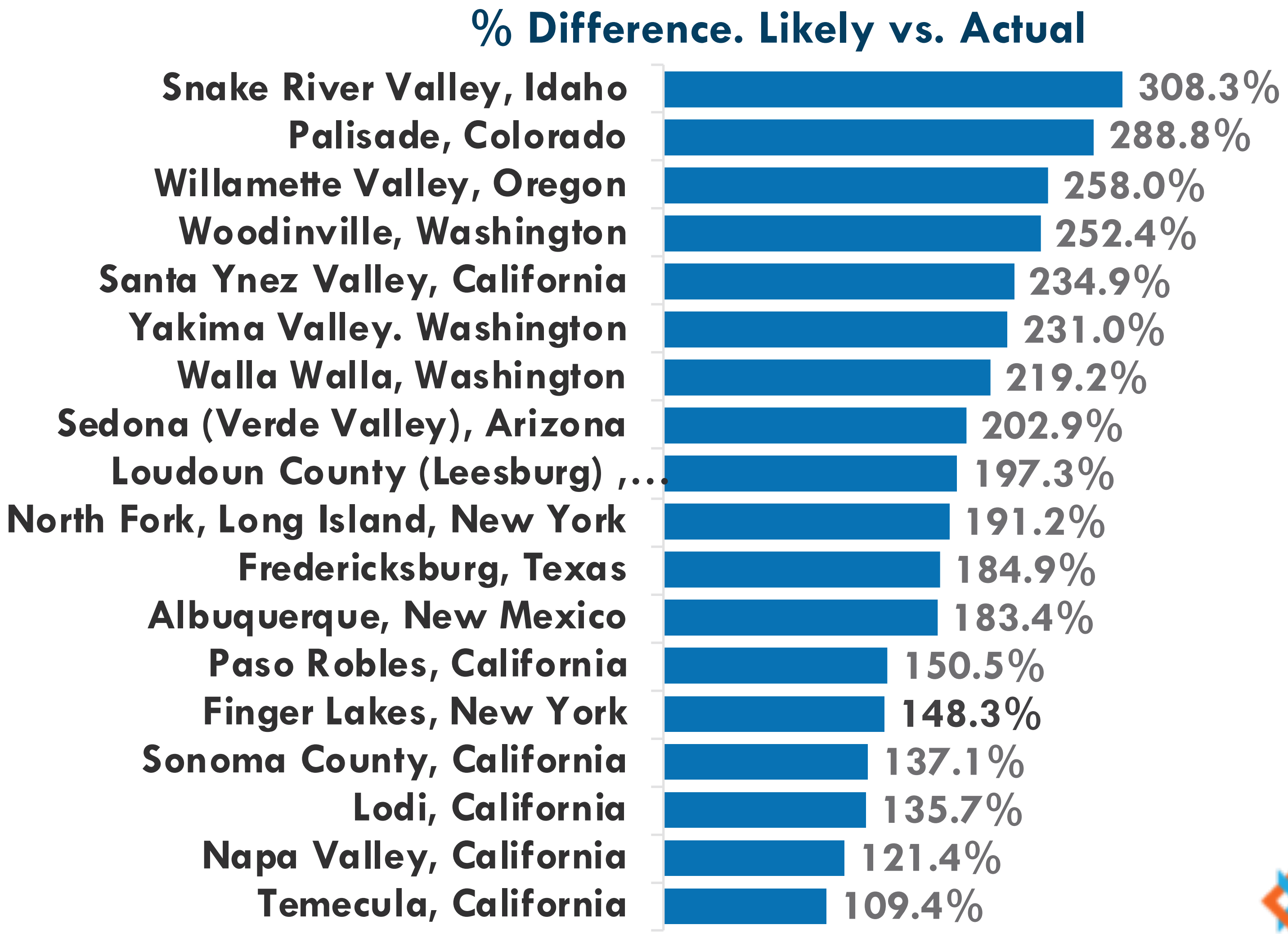
(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Destination Analysts

ASPIRATIONAL STATUS: ACTUAL VS. LIKELY FUTURE

Question: Which of these WINE COUNTRY REGIONS have you visited in the PAST TWO (2) YEARS and which will you be likely to visit in the NEXT TWO (2) YEARS?

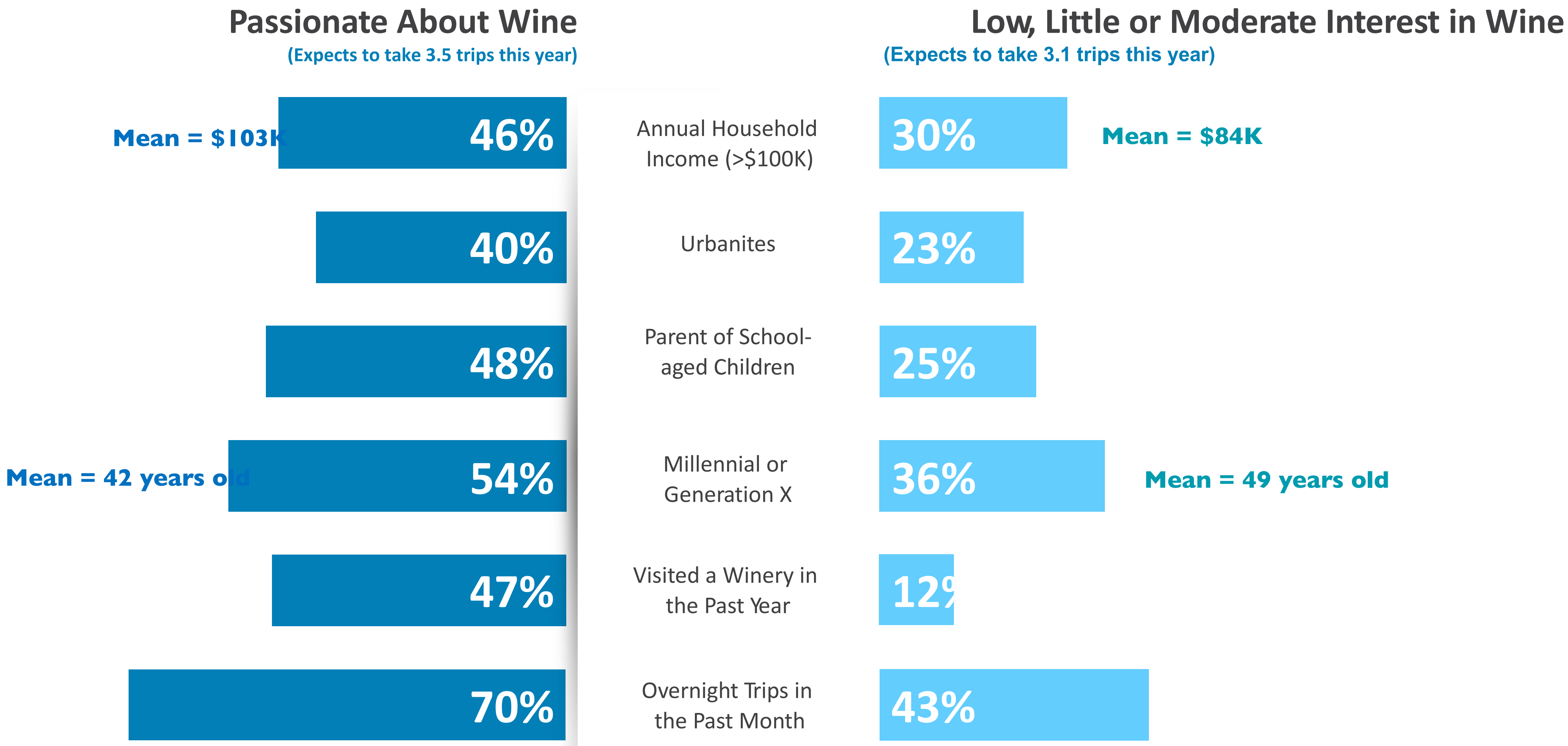
(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)



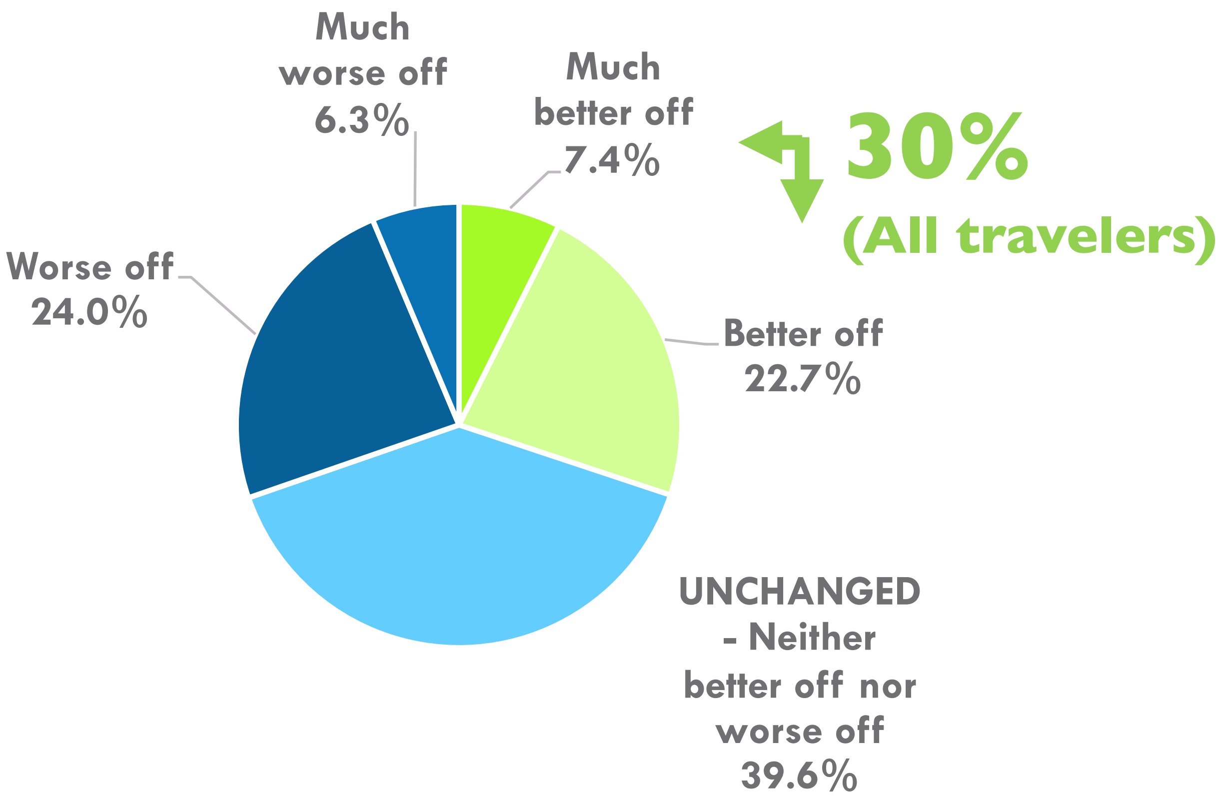
(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Destination Analysts

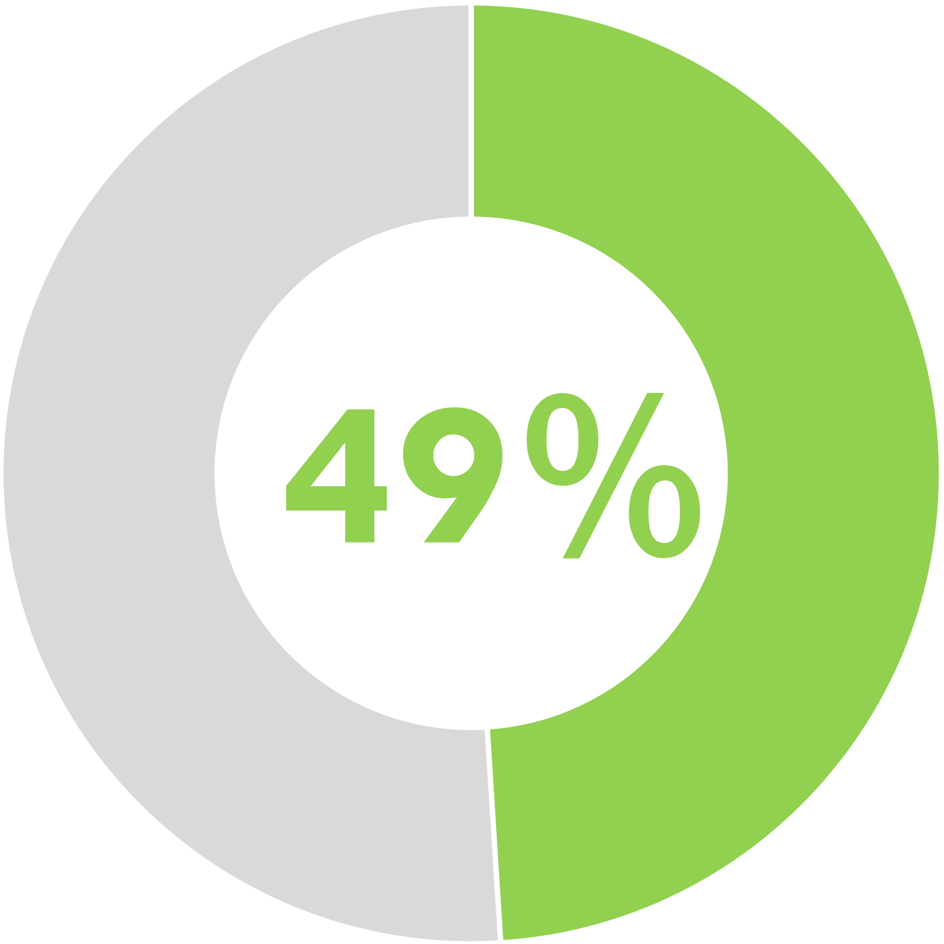
Travelers Passionate About Wine



Statement: Would you say that you (and your household) are better off or worse off financially than you were a year ago?

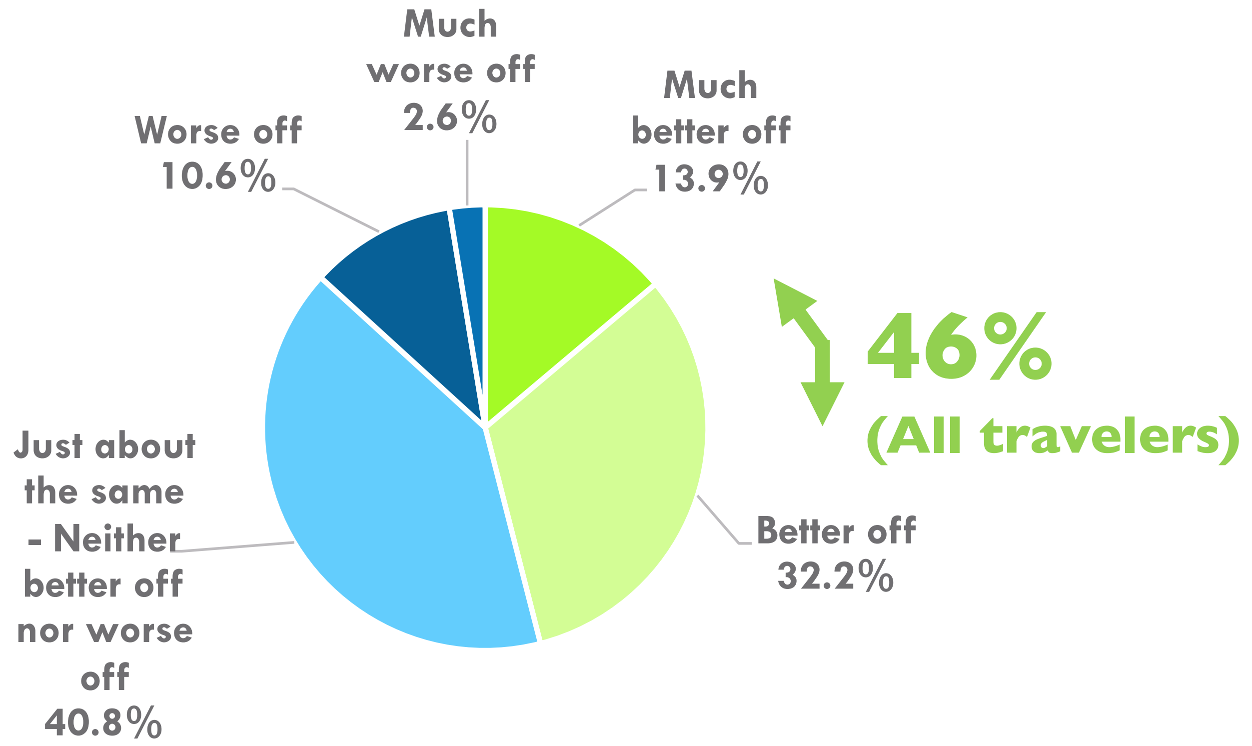


Travelers Passionate About Wine

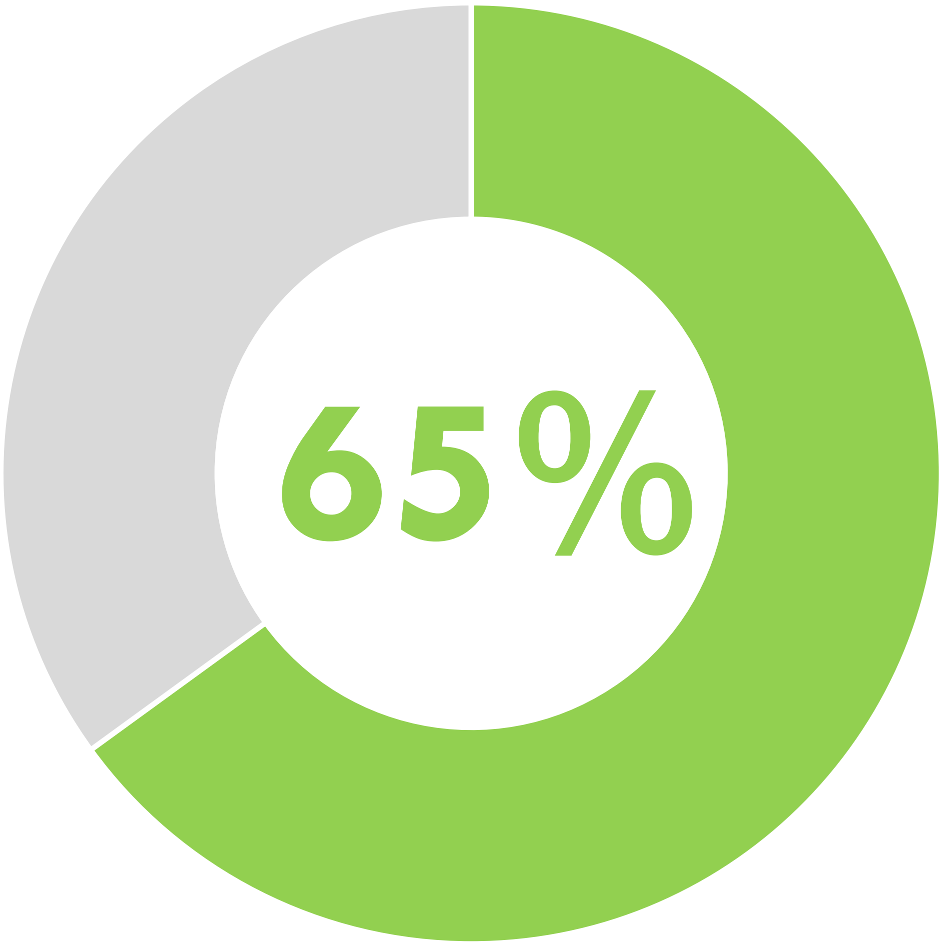


(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Statement: **LOOKING FORWARD—do you feel that a year from now, you (and your household) will be better off financially, or worse off, or just about the same as now?**

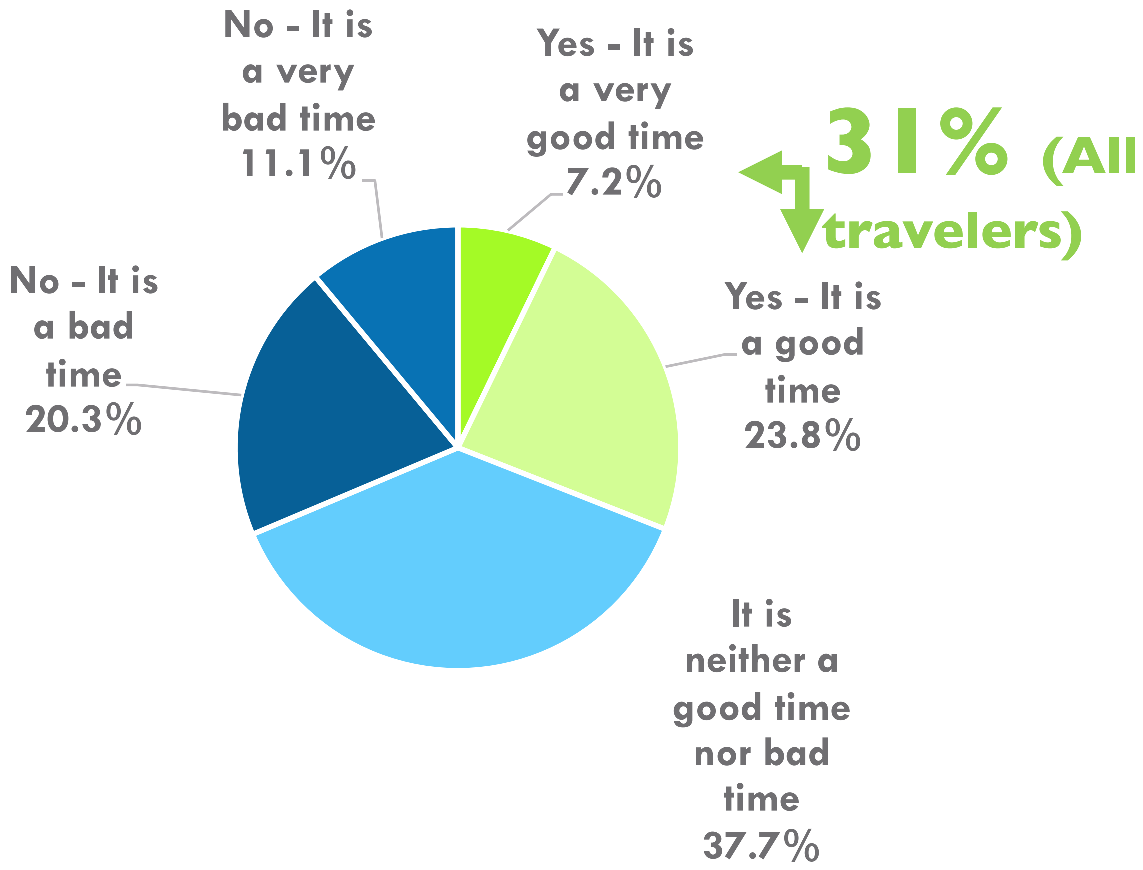


Travelers Passionate About Wine

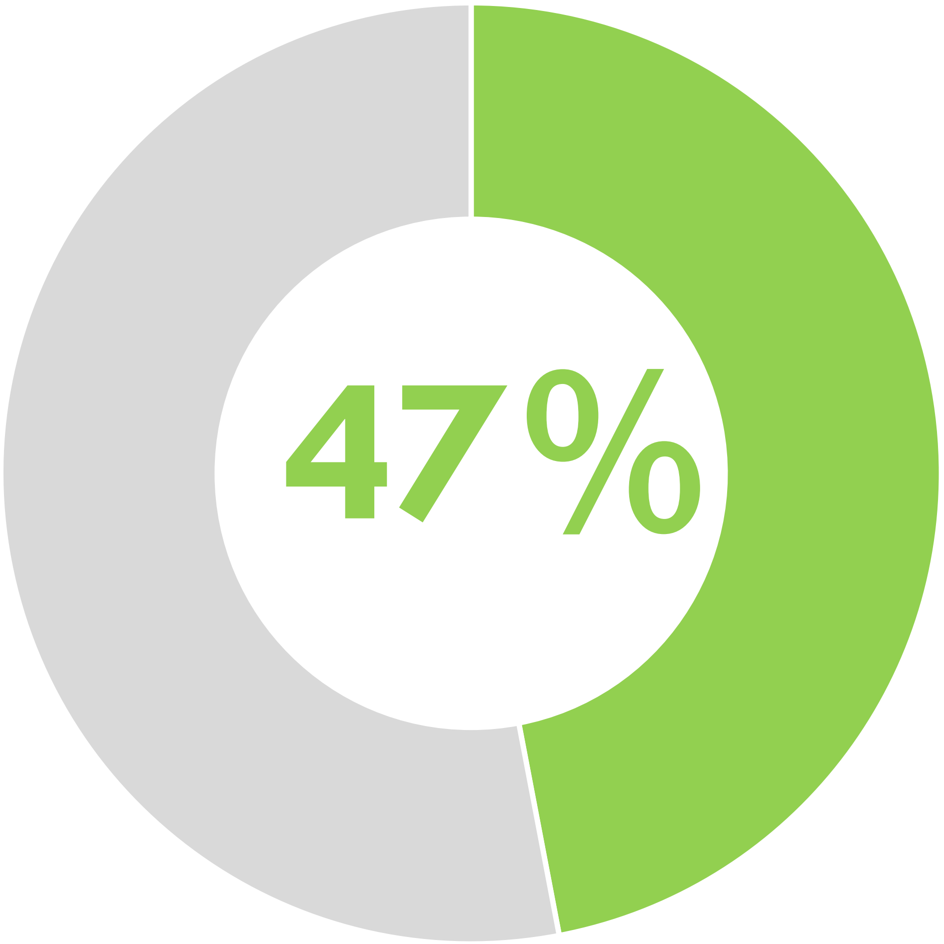


(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)

Statement: Thinking only of your household's finances, do you feel NOW is a good or bad time for you to spend money on leisure travel?



Travelers Passionate About Wine



Destination Analysts

(Base: All respondents, 8,076 completed surveys. Data collected Jan-Feb, 2023.)






Thank you!

Destination Analysts

VISIT Napa Valley

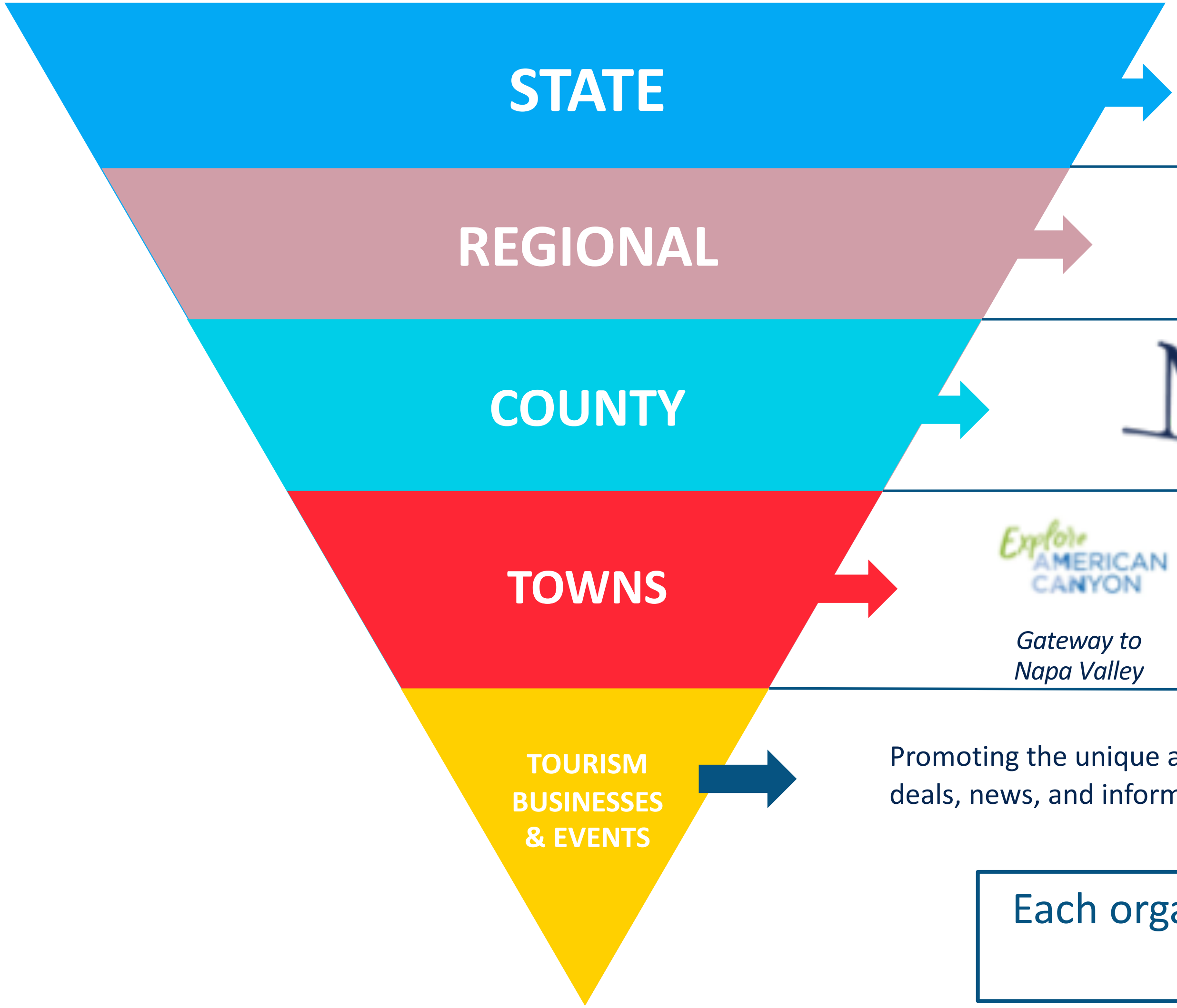
March 2023

Visit Napa Valley is the official destination management organization for Napa County. We promote the region as an **attractive travel destination** and
enhance its public image as a **dynamic place to visit, live, and work.**

OUR VISION
Elevate Napa Valley as the world's premier wine country experience

OUR MISSION
Promote, protect, and enhance the Napa Valley destination

Industry Partner Ecosystem



Promoting the State of California on a national and international scale.

Promoting San Francisco and serving as a gateway to other Northern California destinations, including Napa Valley.

Promoting the entire Napa Valley domestically and globally.

Gateway to Napa Valley	*Do Napa*	*The Heart of Napa Valley*	*Live Like A Saint*	*Rustic, Yet Refined*

Promoting the unique aspects of the many individual hospitality and tourism-facing businesses via content, offers, deals, news, and information.

Each organization working together to maximize visibility on a local, domestic, and global scale.

Visit Napa Valley FY23 Key Objectives

Cultivate the Napa Valley Brand

- Create Awareness & Desire to Experience Napa Valley
- Employ Cross-Channel Storytelling Efforts
- Develop Experiential Opportunities to Engage with the Brand

Accelerate Travel Recovery

- Drive Travel During Need Periods (namely Nov - Mar + midweek)
- Inspire International Travel Recovery
- Grow Group Travel (Business & Leisure)

Support the Local Industry

- Do for the Local Industry What It Cannot for Itself
- Proactively Communicate Value of Tourism in Napa County

Understanding the Numbers
The Benefits of Tourism in Napa Valley

Five Distinct Towns, One Valley

Calistoga

St. Helena

Yountville

City of Napa

American Canyon

Napa Valley By the Numbers

Small Place, Big Reputation

120

Overnight Accommodations Options

150

Restaurants

5,700

Lodging Rooms

By contrast, San Francisco has more than 30,000 and Sonoma County more than 7,500

400+

Wineries Open to the Public

Plus More Than

90 Tasting Rooms

1:5

Employed by Tourism & Hospitality

Napa Valley By the Numbers

Boutique with Big Impact

<200

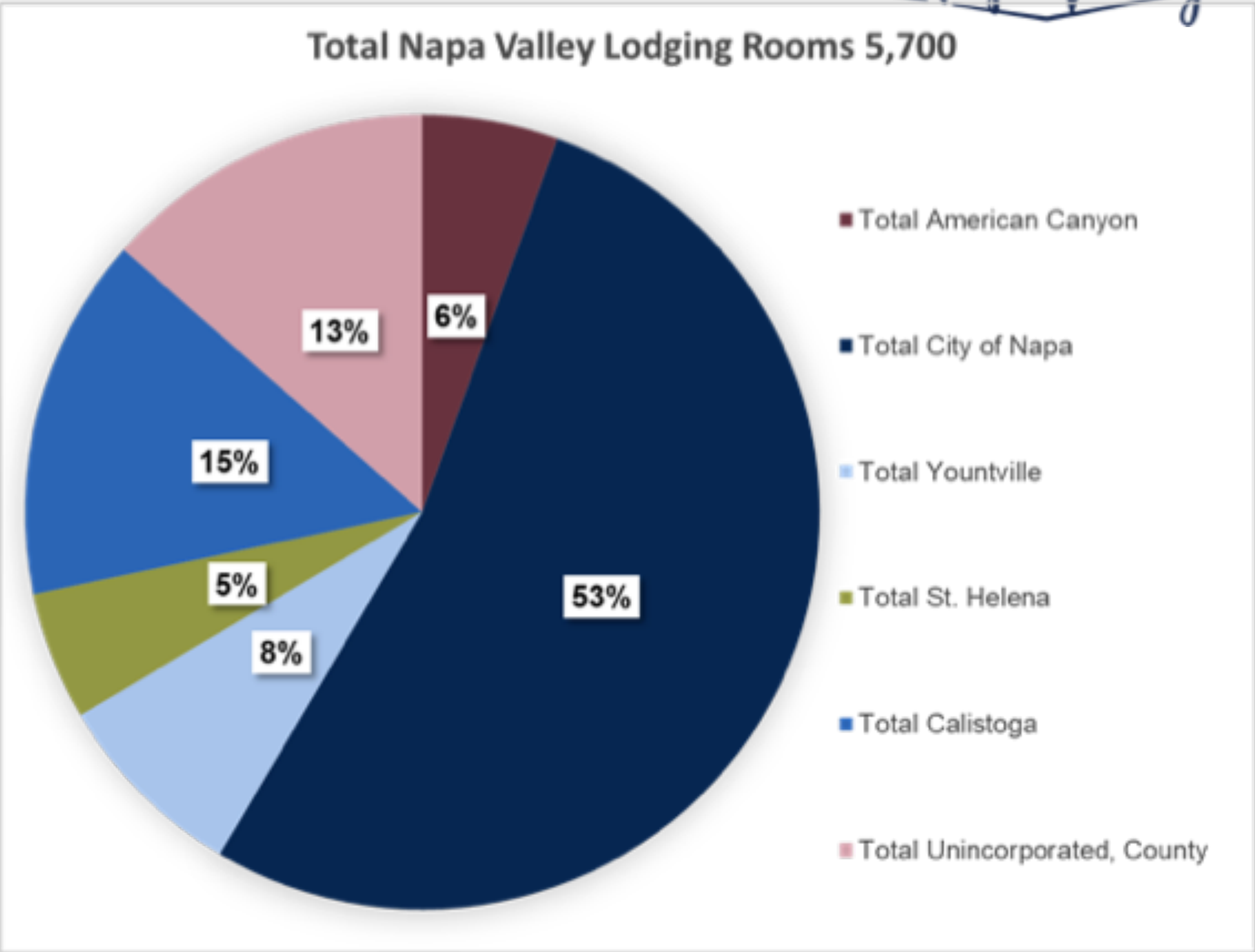
Fewer than 200 Hotel Rooms Added in Last 4 Years

70

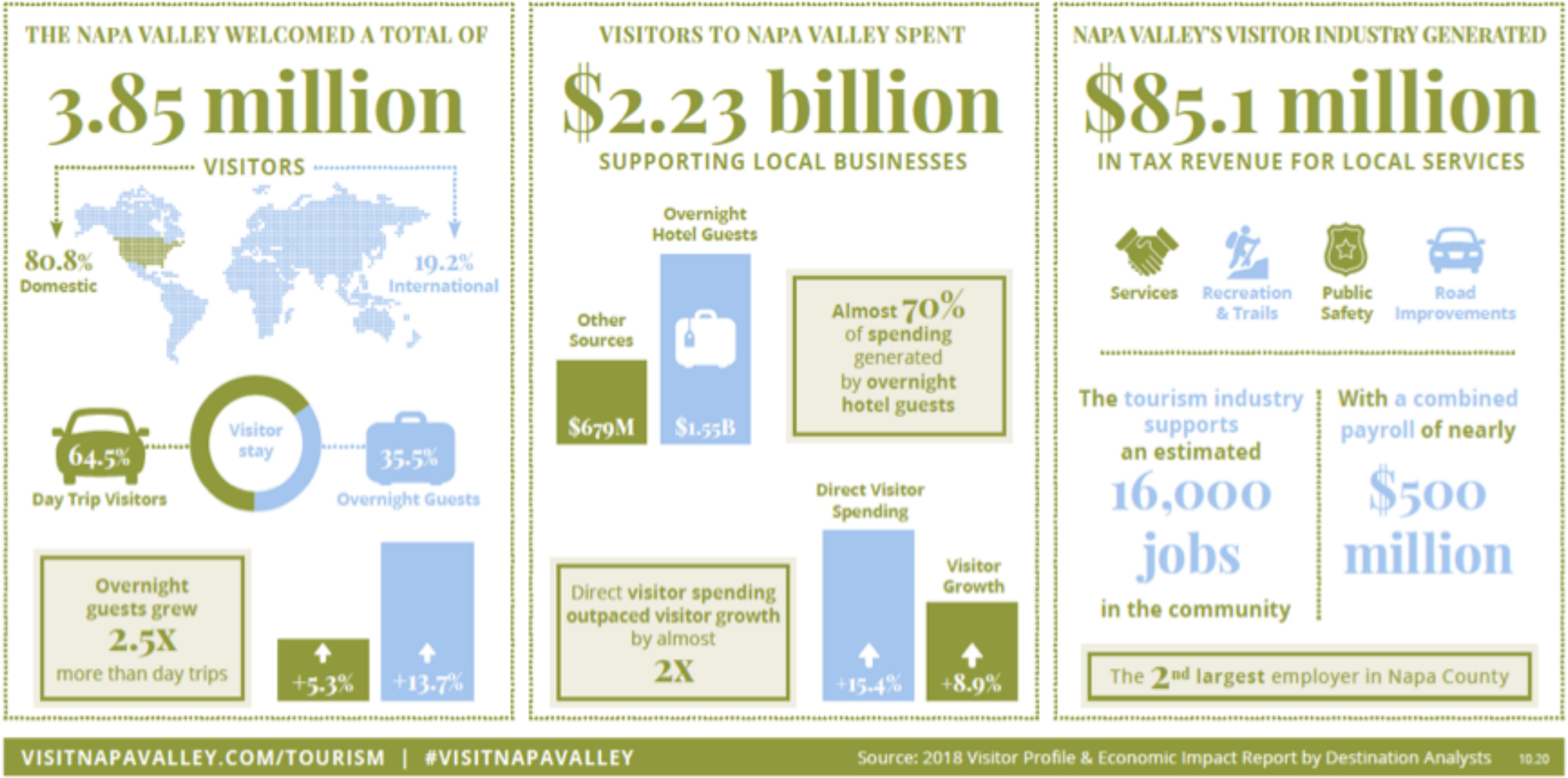
Properties with Fewer Than 20 Rooms

46

Average # of Rooms Per Hotel



Economic Impact of Tourism

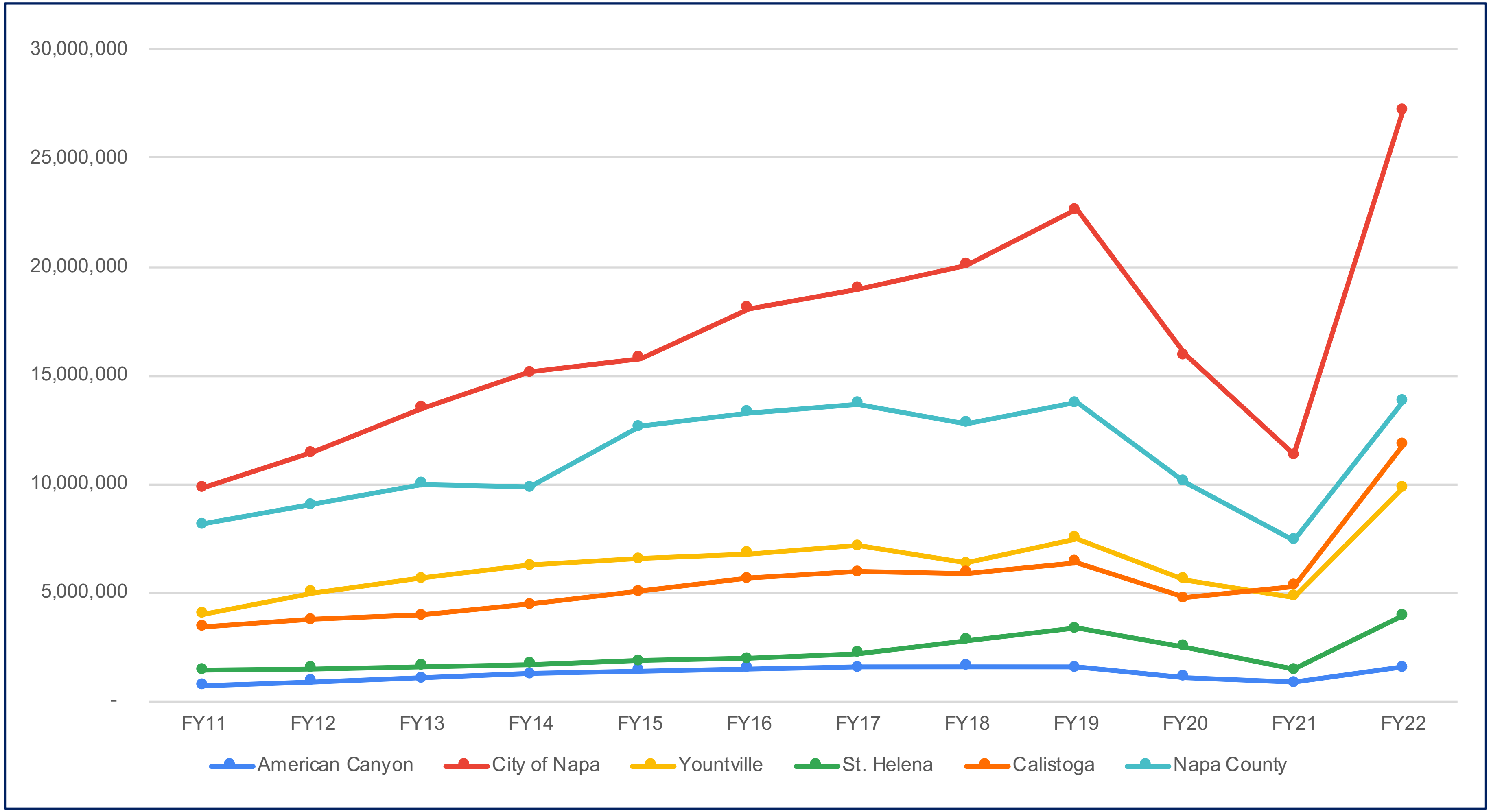


Smith Travel Research

2022 Hotel Occupancy & Average Daily Rates

	Smith Travel Research								
	Calendar YTD December 2022	Hotel Rooms (Approximate)	Occupancy	YOY %	ADR	YOY %	RevPAR	YOY %
Comp Set	Napa County	5,700	63.6	6.7%	$ 469.71	16.3%	$ 298.81	24.1%
	Sonoma County	7,500	64.1	0.0%	$ 226.03	12.4%	$ 145.00	12.4%
	Monterey County	12,500	67.0	7.7%	$ 289.86	12.3%	$ 194.34	21.0%
	San Francisco County	30,000	62.1	43.7%	$ 231.12	41.3%	$ 143.47	102.9%
Jurisdictions	American Canyon	315	79.6	5.0%	$ 169.06	13.4%	$ 134.58	19.1%
	Napa (City of)	3,000	65.7	12.6%	$ 356.68	17.0%	$ 234.29	31.7%
	Yountville	450	53.2	-7.3%	$ 854.00	9.4%	$ 454.37	1.4%
	Calistoga	870	66.5	5.1%	$ 512.85	11.9%	$ 341.10	17.6%
	Unincorporated Co.	760	59.1	3.7%	$ 648.97	7.4%	$ 383.43	11.3%
Service Type	Luxury		58.3	-8.4%	$1,345.33	10.8%	$ 784.10	1.4%
	Group		61.7	18.1%	$ 410.97	13.4%	$ 253.49	34.0%
	Limited Service		73.4	3.0%	$ 214.37	14.2%	$ 157.40	17.7%

Recovering and Thriving Through the Pandemic

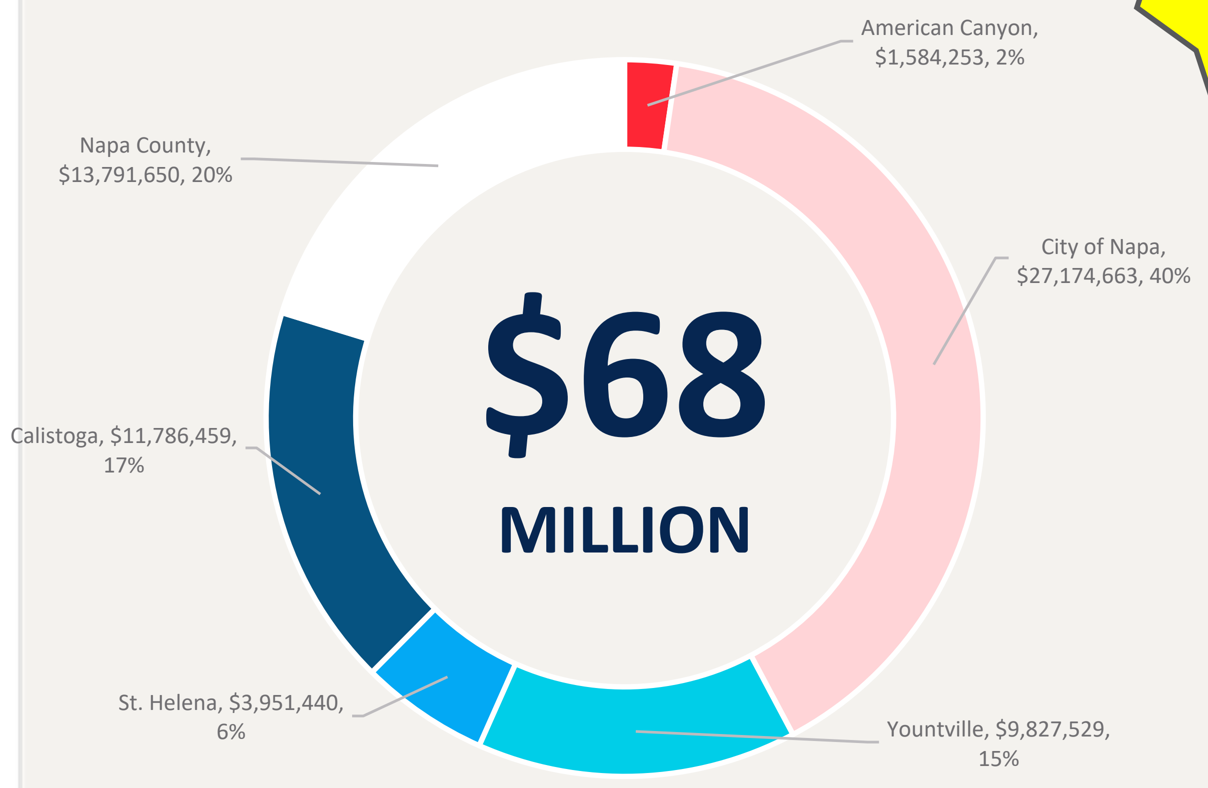


FY22 TOT contributions not only returned to pre-pandemic levels but surpassed FY19, which was previously the high watermark.

Increased TOT Revenue = Increased Revenue for Napa Valley Cities & Towns = Improvements to Infrastructure such as Roads & Sidewalks, Fire Safety, Parks & Recreation, and More

FY22 TOT Collected by Jurisdiction

Transient Occupancy Tax
(TOT/hotel tax) revenue received in FY22 by each jurisdiction in Napa County



+$13M
Over FY19

Revenue from tourism allows local government to invest in services and programs that benefit all residents, including infrastructure improvements, civic amenities, and public safety.

A healthy tourism economy creates demand for a diverse range of goods, services, and cultural programs which are available for both visitors ***and residents*** to enjoy, enhancing our overall quality of life.

Consumer Trends

Confident & Ready to Travel

Consumers are excited to travel now, even if COVID isn't going anywhere. But they have a lot of choices…

"GOAT" (Greatest of All Trips Mentality)

Characterized by: spontaneity, willingness to splurge, immersion, unfiltered enjoyment, sensation seeking - a wish list trip.

Top Trip Motivators Core to What Napa Valley Offers

Scenic Beauty, Outdoor Activities, Road Trips, Culinary, Small Towns.

Prioritizing Emotional Well-Being

Travelers are spending more on travel to improve their well-being. Trend includes Solo Travel, Isolation Experiences, Retreats, etc

Multi-Generational Travel

Destination decisiveness & purposefulness. A more deliberate, considered, thoughtful approach. Visit fewer attractions, get more out of each place visited.

Sustainable Travel as a Lifestyle

Travelers choosing places that prioritize sustainable practices & give back to local communities.

Group Travel Trade Trends

Outdoor/Natural Spaces

Companies are prioritizing warmer climate locations offering outdoor or indoor/outdoor hybrid meeting spaces.

Smaller, Local, Authentic

Smaller, intimate experiences and mid-size events, structured around the best that local regions have to offer are growing in prominence.

Collaboration Is Crucial

Collaboration & discussion, are critical to in-person meetings resuming; will need to go well beyond traditional practices to inspire.

Key Takeaways

Small Valley; Big Reputation = Economic Recovery

- Napa Valley won back more than its fair share of visitors between 2020-2022; Due to the strength of the Napa Valley brand on the world stage

Demand Stabilizing; Returning to Pre-Pandemic, Predictable Seasonal Visitation Trends

- Historically, from November – March, Napa Valley experiences a predictable slower season, coined “Cabernet Season”

- Lodging occupancy rates ***drop as much as 25%*** compared to the high season (April – October).

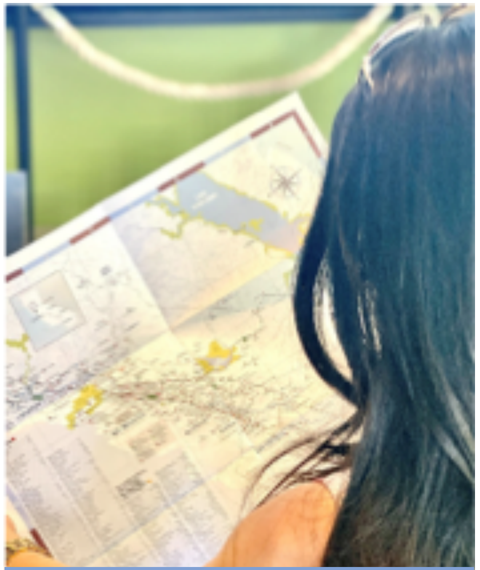
- During ”Cabernet Season”, Visit Napa Valley focuses marketing and advertising efforts to flatten that curve by more heavily promoting travel and visitation during November – March as well during mid-week.

- This post-pandemic return to the more predictable slower season underscores the **importance of continuing to invest in marketing efforts during “Cabernet Season”** and means a return to more predictable forecasting and staffing patterns for businesses.

Advertising Strategy

Target Audiences

Luxury Traveler



Aspirational Traveler

Group Trade Travel Trade

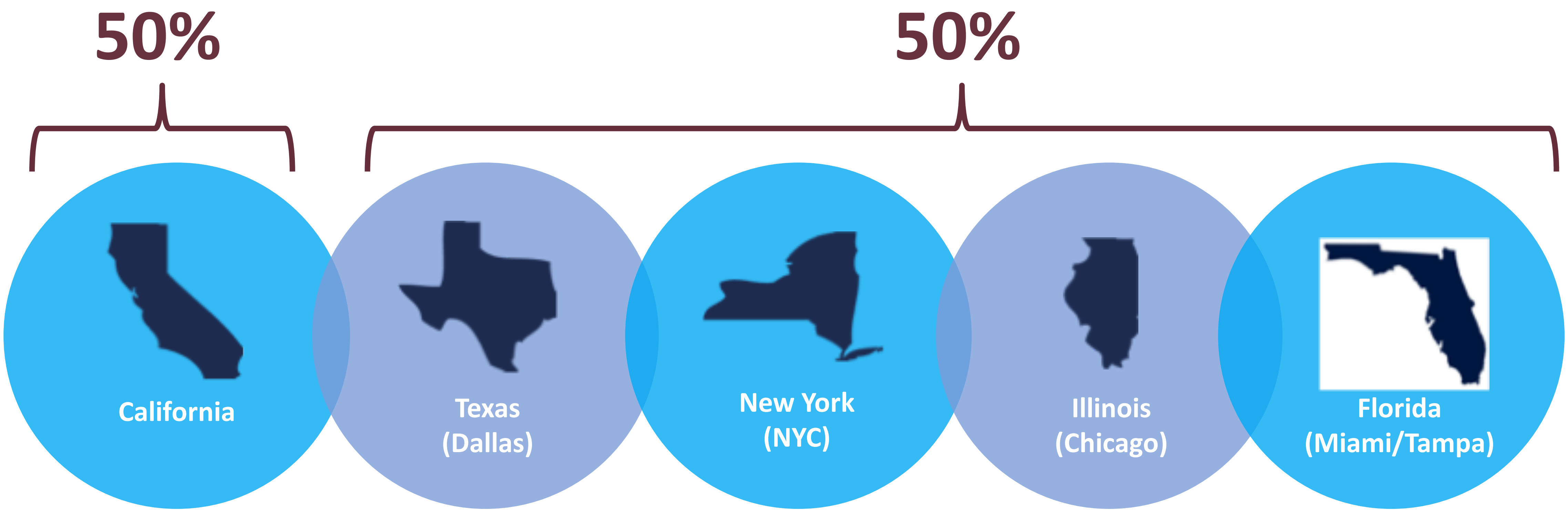
Local Community

Tourism & Hospitality Workforce

Target Markets

California Presents the Greatest Opportunity and Impact in Advertising Efforts

Allocation of Advertising Budget



Paid Advertising Campaigns

Cultivating the Napa Valley Brand

Digital and Print Ad Campaigns

Cheers, The Good Life

Always On

Target Audience
CONSUMER

Approachable Luxury

Pulsed

Target Audience
CONSUMER

Crush That Meeting

Pulsed

Target Audience
GROUP TRADE

Cheers, The Good Life
Tourism Matters

Pulsed

Target Audience
CONSUMER

Crush That Career

Pulsed

Target Audience
WORKFORCE

Marketing – Paid Media

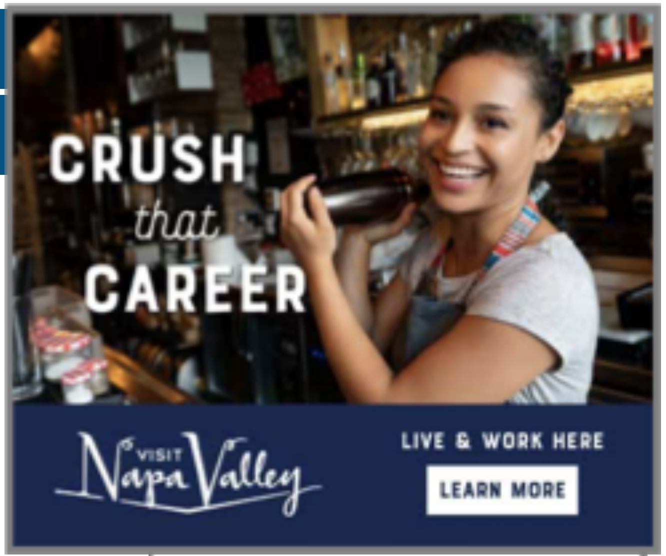
Campaign – Approachable Luxury

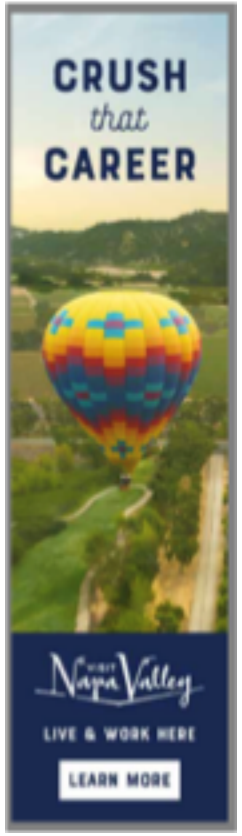
- Promotes the wide and diverse range of accommodations, winery, and dining options, in all price points.
- Features interactive landing pages that speak price without ever saying "price".
- Addresses media narrative of recent months that suggests Napa Valley is only accessible to the ultra-wealthy.
- Encourages interactive discovery of categorized using emotional cues and that are ***viewable***, ***clickable***, ***bookable***.

Campaign - Crush That Career

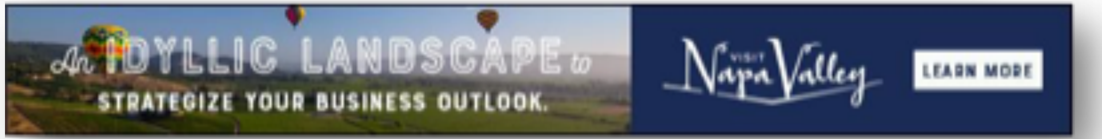
www.CrushThatCareer.com

www.visitnapavalley.com/crush-that-career/





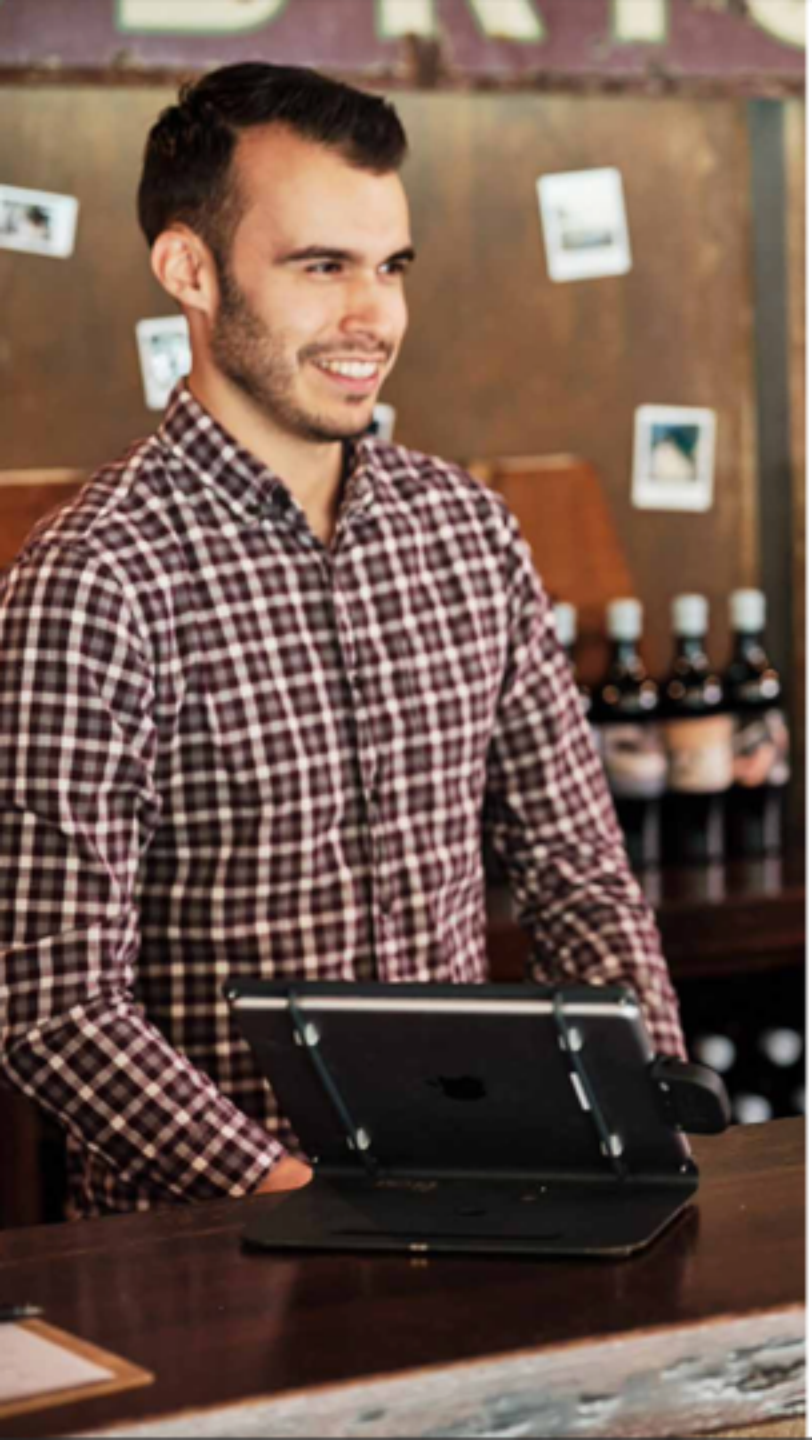
Campaign – Crush That Meeting



Thank You

Linsey Gallagher
President and CEO
Linsey@VisitNapaValley.com

Visit Napa Valley



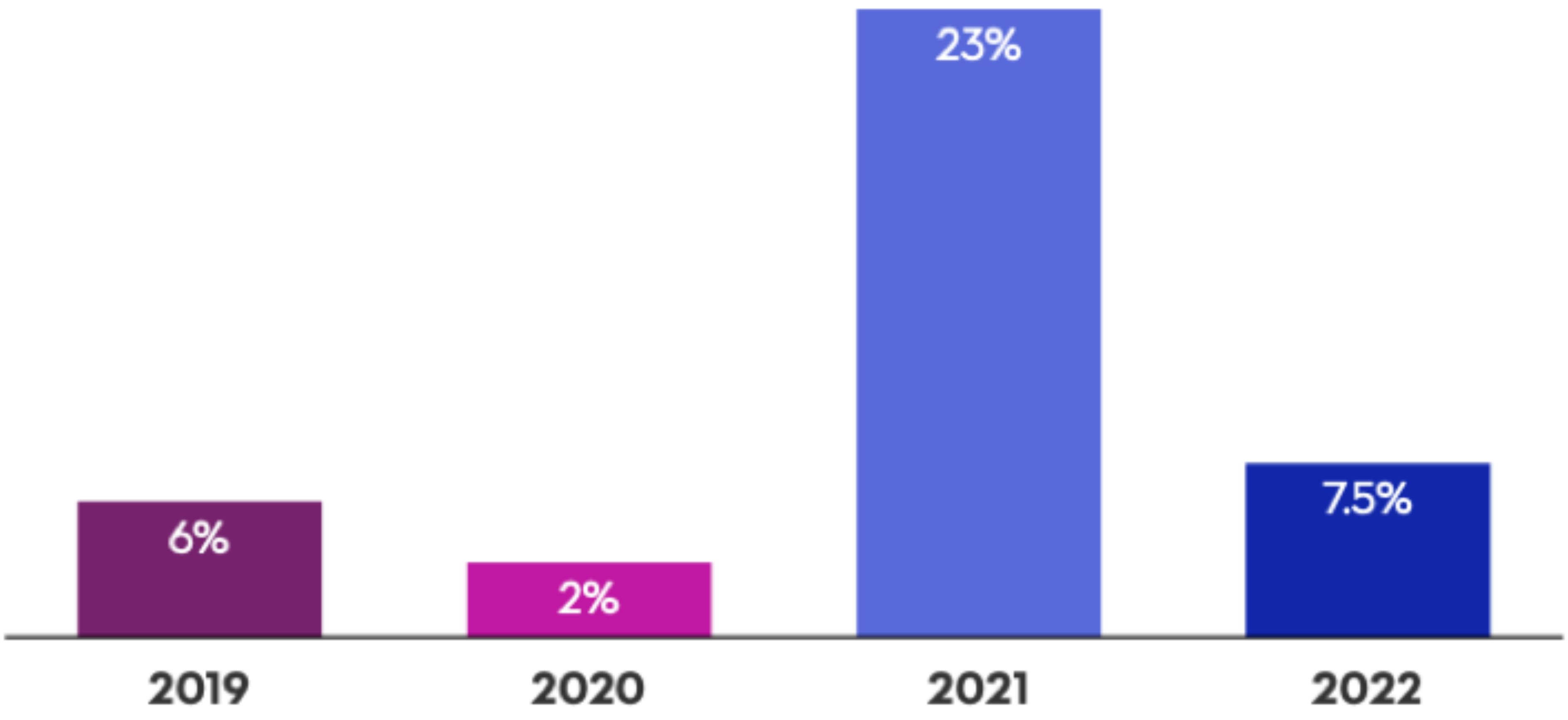
Tourism & DTC Webinar

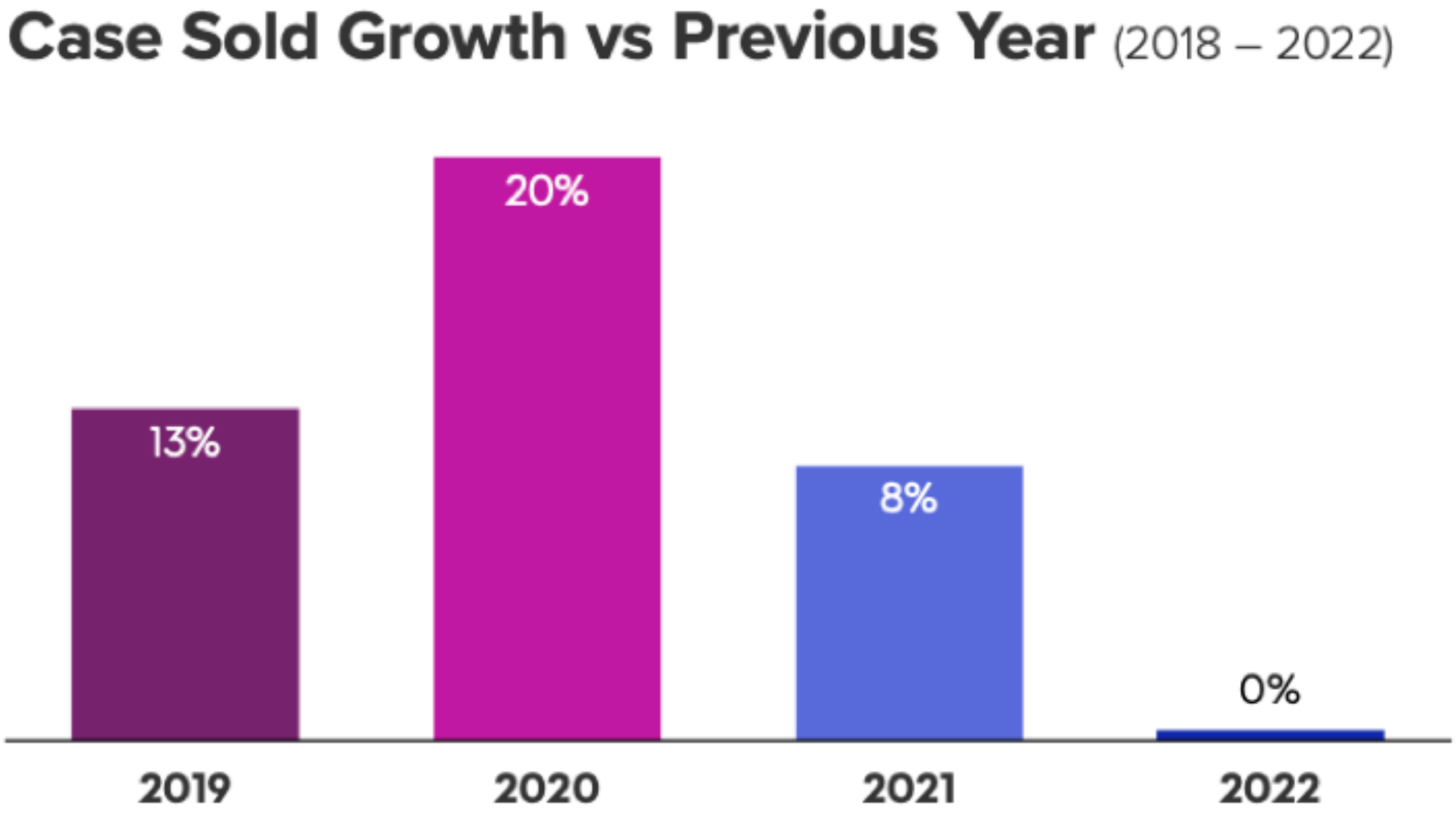
March 28th, 2023

WINEDIRECT

THE WINERY'S CHAMPION

Net Sales Growth vs Previous Year (2018 – 2022)



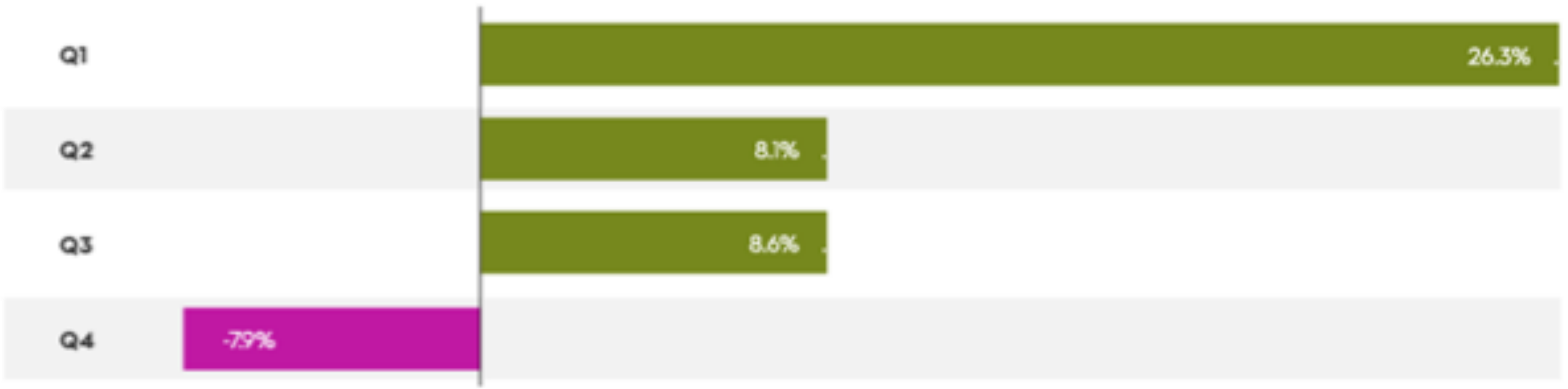

Case Sold Growth vs Previous Year (2018 – 2022)
13%
20%
8%
0%
2019
2020
2021
2022

2022 Overview

Growth in 2022 was driven by a very strong Q1 as the post-COVID "bounce back" continued. In Q1 through Q3 we saw the impact of higher prices/lower discounts as growth in Net Sales vastly outpaced growth in Cases Sold.

Negative growth trends began to emerge in Q4 and pricing also settled down as we saw a return to discounting.

2022 vs 2021 Quarterly Net Sales Growth



2022 vs 2021 Quarterly Cases Sold (9L) Growth

YOY Net Sales Growth - US

	2019	2020	2021	2022
ALL	5%	2%	22%	8%

Channel YOY Net Sales Growth - US

	2019	2020	2021	2022
ADMIN PANEL	-26%	18%	-6%	1%
CLUB	11%	7%	13%	23%
EVENTS	23%	-64%	171%	44%
POS	5%	-29%	65%	0%
TELE-MARKETING	5%	99%	-12%	-13%
WEBSITE	5%	141%	-20%	-14%

YOY Cases Sold Growth - US

	2019	2020	2021	2022
ALL	13%	21%	8%	0%

Channel YOY Cases Sold Growth - US

	2019	2020	2021	2022
ADMIN PANEL	7%	67%	-18%	-5%
CLUB	14%	13%	11%	13%
EVENTS	37%	-59%	121%	36%
POS	12%	-15%	35%	-8%
TELE-MARKETING	9%	113%	-25%	-15%
WEBSITE	16%	228%	-27%	-20%

Average Sold Price and Discounting Since 2018 - US

YOY Unique Customer Growth - US

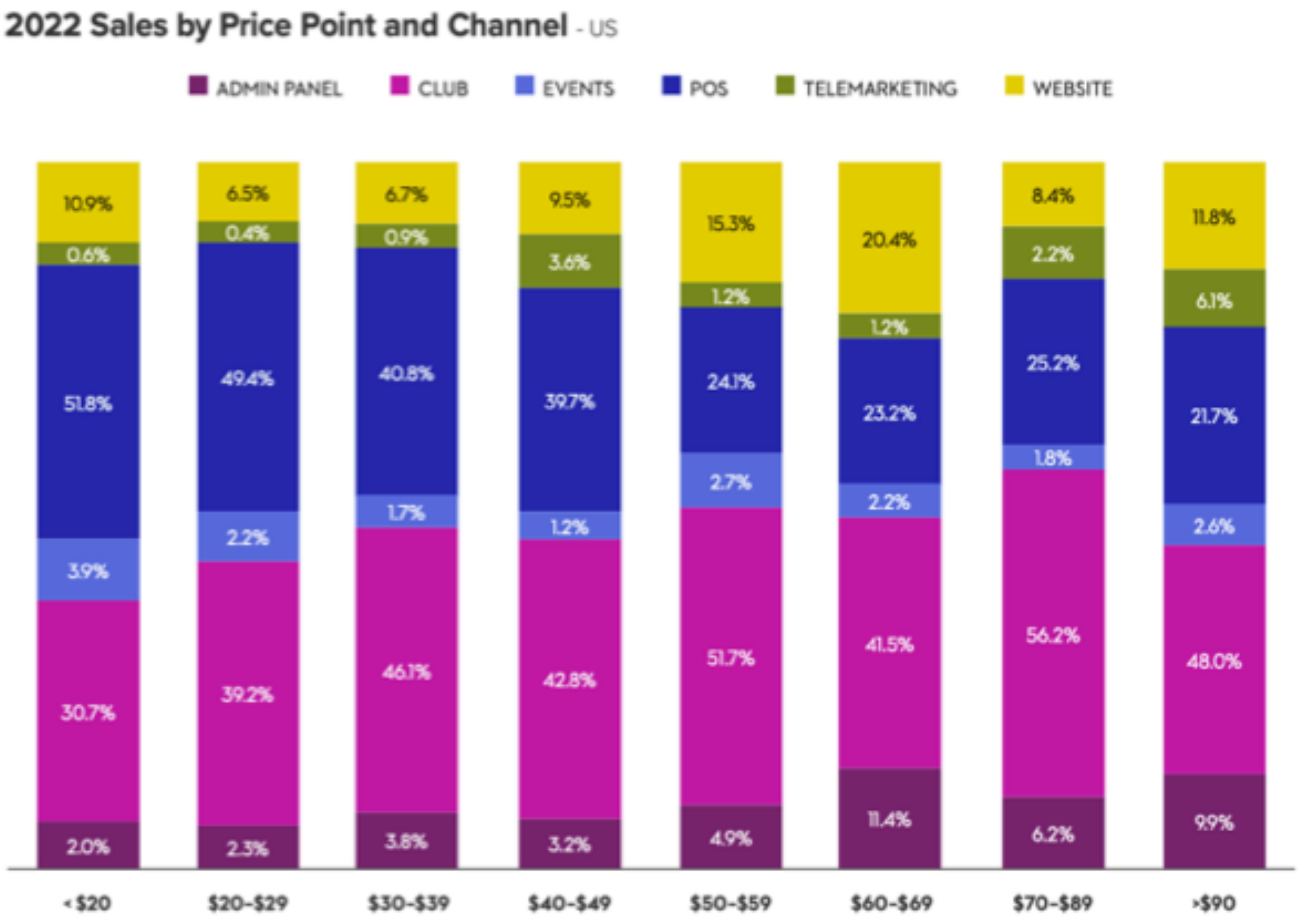
	2019	2020	2021	2022
ALL	11%	-2%	28%	-4%

Major Channel YOY Unique Customer Growth - US

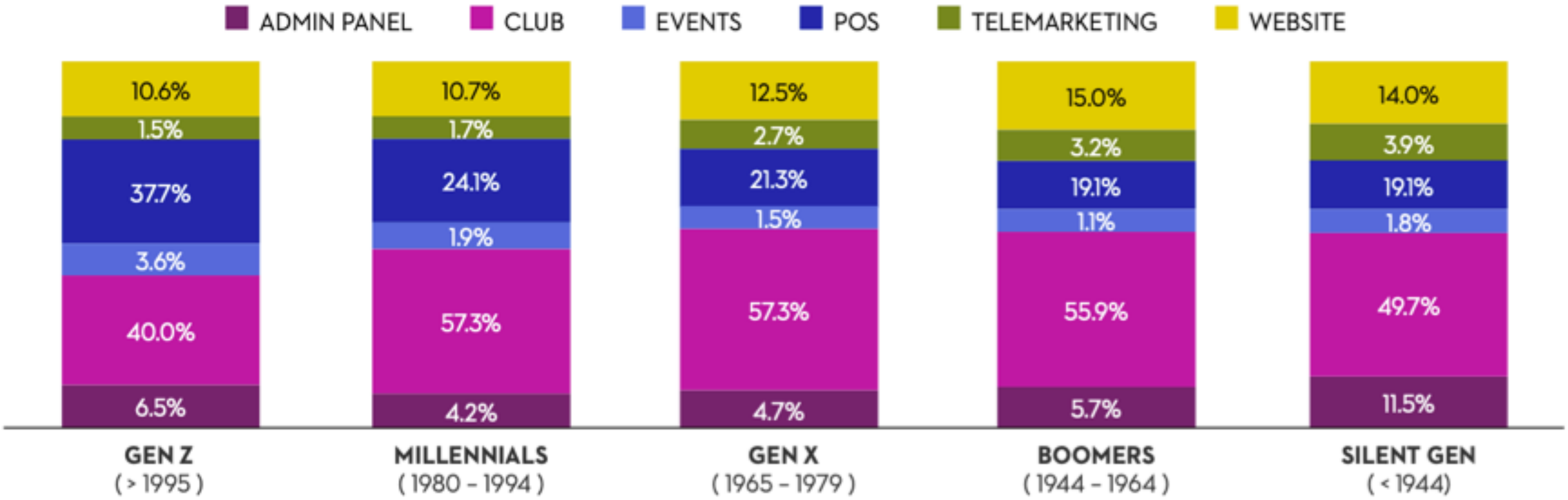
	2019	2020	2021	2022
CLUB	6%	-2%	9%	7%
POS	13%	-21%	60%	-5%
WEBSITE	4%	135%	-24%	-19%
OTHER	7%	18%	8%	-3%

2022 Overview

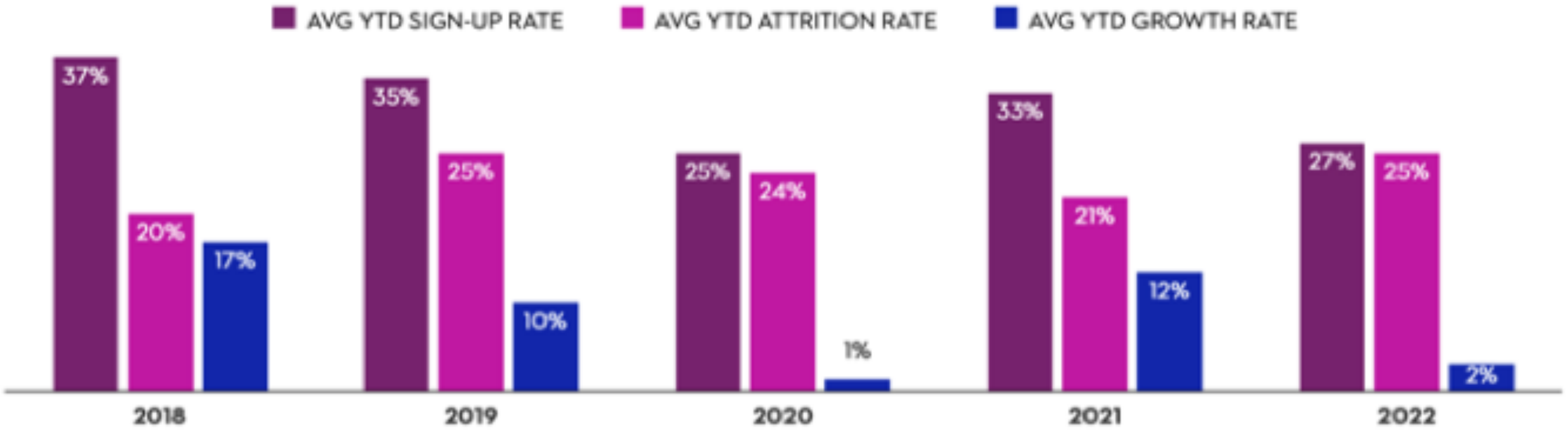
Wine Club was the key driver of sales for wines over $30, while the POS channel drove sales of lower-priced wines.



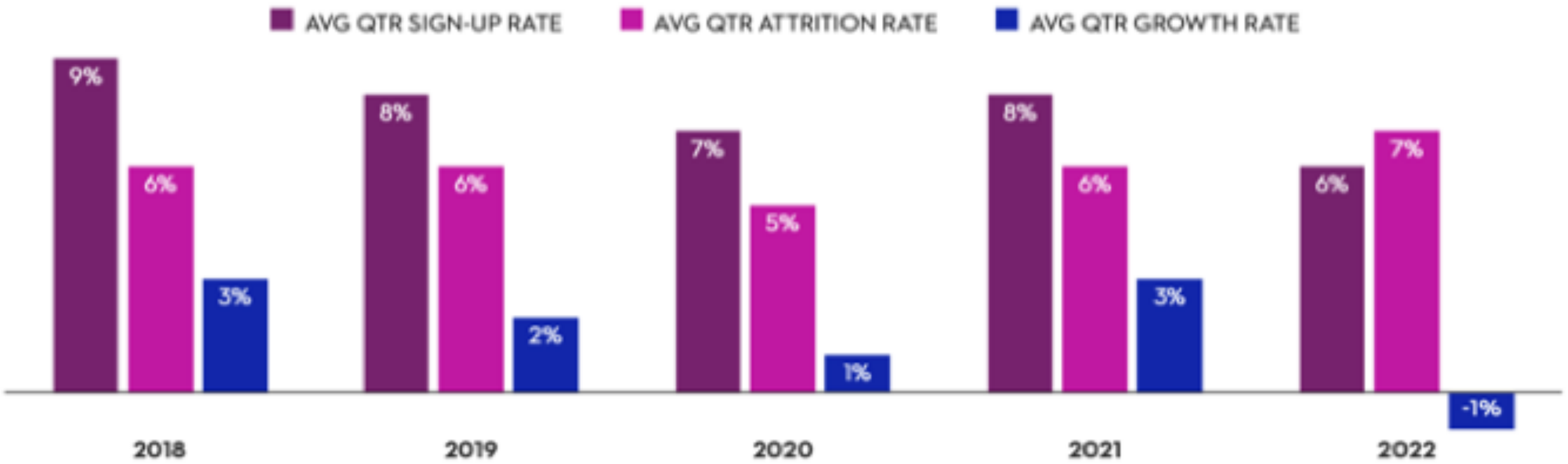
2022 YTD Net Sales by Channel by Generation - US



Wine Club Memberships Growth Rates Since 2018 - US



Wine Club Memberships Growth Rates Since 2018 (Q4) - US



Questions?

WINE MARKET COUNCIL