WHAT WINE INDUSTRY LEADERS THINK IS IMPORTANT FOR THE FUTURE

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Interview Questions for the CEO Survey

1. The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

2. How are you dealing with the growing problem of water availability and climate change?

3. With the large distributor consolidations that have occurred, do you see specialty players emerging to cater to smaller accounts?

4. There is data that shows the millennial generation drinking more and higher quality wine. Do you think this is true, and if so, why?

5. What do you think will be the hottest issues over the next five to ten years?
Question 1: The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

- No, we are not. We are doing a lot of things but not preparing for a recession.

- We are cruising along. We’ve been in the business 58 years and gone through a number of recessions. My experience knows that in good times and bad times people drink wine. We don’t see ups and downs in the business cycle. It is straight up.
Question 1: The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

- The biggest risk in a downturn is inventory. Because you end up having too much wine on hand. From a strategy standpoint or wine quality, what also makes you live or die as a brand is the quality of wine you make. So what can really make you live in a recession is not buying all the [grapes] you think you will need, playing it short and buy the rest on the bulk market, but we aren’t doing that now.

- We are running business as usual. The biggest issue we have as a sales organization is that we don’t have enough inventory. So we would actually like to have more inventory. And maybe if we were running into a recession I’d be happy we don’t have the inventory. But, we need inventory.
Question 1: The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

- What we’re doing is diversifying our portfolio. We are hitting multiple price segments. If you go back to the previous recession in 2008, our premium luxury brands tanked. Our value brands saw us through a little bit.

- I think for us it is really about diversity. When you think about our portfolio and how we go to market with a pyramid of brands, it helped us weather the storm more or less. We did experience more interest in our economy and entry level brands during the recession. But as the economy recovered we saw more interest in our luxury brands, so I think the key is that diversification.
Question 1: The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

- the other thing we are looking at is sourcing flexibility. Making sure we can retain sourcing flexibility to make sure we can respond to some of the potentials for a downturn in the economy. And then the other piece is, if you think about a downturn and think about what it might do to the landscape of the industry and think about what potential opportunities could be out there, on the heels of a really good period of time for the industry obviously there is dry powder and things like that but you look for opportunities that pop up whether it might be new facilities or vineyards or new ideas or brands or things like that; so you just start to make your shopping list sort of speak. If there is a downturn that could create some opportunities in that regard.
**Question 1:** The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

- We have moved a lot of interest, debt, from variable to fixed rate. We can sleep well at night with a really good fixed rate. Locking in low rates; the money is almost free.

- We went through the previous recession and we executed pretty well in regards to a plan B.....We took advantage of that relationship we had with key buyers. Instead of going to a second label, we did two things. We right sized our inventory by selling some on the bulk market. We took a loss, but we took advantage of that with some great tax loss carried forward. We did some exercises that continued to support the brand image. By the glass programming. A couple of airline deals that helped move inventories without tarnishing the brands.
Question 1: The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

We are doing for the first time in this company’s history, some consumer research to figure out how we have become as successful as we have and how do we continue that. I don’t really think of it as preparing for a recession. I am more concerned that, having grown to the size we are, how do we sustain that with brand equity. The other thing we are seriously looking at is the weakness in our supply chain. This company was built to be sold, but that decision was changed a few years ago. My predecessor ran a very lean supply chain, with no vineyard ownership to speak of. So we are looking at that as a source of weakness going forward. It’s not a plan for recession, just an attempt to shore up our supply chain and gain some modicum of control over our cost. I don’t necessarily think it is a good time to buy vineyards; they are pretty pricey. The prices are high and we are not willing to change things to a degree that some people are.
Question 1: The economy has had a good long run. Are you doing anything to prepare for the possibility of a coming recession?

- Taking the cost out as we go forward, so we are moving aggressively in all regions, with the exception of Napa, our vineyards are being built so they can be mechanically pruned. A tremendous amount of labor goes into pruning and canopy management, and that has to be mechanized. We have to do it, it has been common in Australia for many years. Wineries are accepting it in the central valley, on the central coast. We are now planting vineyards in Sonoma that are to be mechanically pruned.
Wine consumption in the U.S. has increased every year since 2000 and we don’t see that slowing down. In fact, we’ve found that today’s consumers are trading up.

If a recession comes upon us again, there will be a little softness... but we expect the industry to continue to grow. Not as fast as in the past. But, premiumization is here and people are trading up and people are trading up at all segments of our industry.

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- I think we will see a true recession. I am not taking any hard fast steps. I have implemented soft actions, conservative budgeting. I have implemented a couple of plans to accelerate growth and sales activities in the market to try to beat someone to the market.

- We are downsizing. And again I would probably do that whether of a recession or not, but it would be particularly important in a recession. We are cutting it down and eliminating fat wherever it can be eliminated. We have to be making a profit now.

- We are certainly taking a look at retooling our sales force. Making it lighter if you will. Fewer levels of reporting between the area manager and the CEO, for example, to keep close to the information at hand and act accordingly.
Nothing, we prepare to grow, not for a recession.

Right sizing your company to properly meet demand such that excess inventory does not become a liability in a recession, while simultaneously anticipating the need to grow, if the market demands.

Diversifying portfolio with both economy and luxury products to appeal to diverse consumers regardless of economic conditions, and therefore have the ability to tailor development of these brands if economic conditions are favorable to it.

Trimming fat and mechanizing to cut costs
Question 2: How are you dealing with the growing problem of water availability and climate change?

- I think they will be issues in the future. As for climate change we are getting involved in the Pacific Northwest and Oregon. We think those growing regions are going to be a beneficiary in 30, 40, 50 years. I think trying to diversify our infrastructure up in that area is a smart play for the future. On the water side here in California we have been concerned with some of the movements of water from northern California to southern California. We have been involved in lobbying efforts to keep water here in northern California.

- I and the company believe climate change is real whether it is man made or not. We are investing a little bit into new technologies for water. We’ve been blessed with high quality and high quantity resources of water for all our vineyard sites in the North Coast. And the North Coast is a good place to be in the drought.
Question 2: How are you dealing with the growing problem of water availability and climate change?

- We’re starting to look elsewhere outside the country. We feel long term the valley probably can’t support grapes because they will be crowded out by other crops and shortage of water. I think the valley will be a real problem for grapes down the road. We’re looking to obtain bulk wine from Argentina, Chile and Australia. We’re making the provisions, making the contacts with people, to line up possible sources of bulk wine.
With rootstock choices we are going with higher vigor rootstocks and deeper rootstocks to get away from a heavier need for irrigation. And that has proven beneficial. So from the standard of an acre foot per acre which is a pretty good standard for loam soil in a relatively warm region. We are going higher density and using half of that requirement, or even much less. When we put a lease together our standard requirement is to have an acre foot of water per acre of property.

It is much more about different rootstocks and clonal selections and varieties that do well in different soils and climates. We grow 32 different grape varieties and we always experimented to see what does well. When climate change comes we’ll at least have some experience with these different selections and varieties.

We are putting in misters so that when we get those 100+ degree days we can increase the humidity. Instead of having really dry heat, increase humidity to offset that so we don’t get so much scorch and putting the vines under stress. We’ve been looking into row orientation to minimize heat stress and biochar incorporation as well.
Absolutely, it is especially a concern because we operate 100% off of groundwater. For years we’ve been using pressure bombs; pressure bombs measure how much water is actually needed by a vine as opposed to how much water is in the soil. Some people use soil pressure sensors, but we use pressure bombs. It requires a little more labor; but means we don’t deliver any more water than is necessary for the vine.

We are working with UC Davis on the Surface Renewal Program, which takes a holistic look at the environment and how much the entire environment needs.

We are funding Roger Boulton’s research fermenters over there and we believe in what he’s doing, looking at how to reduce the water footprint in the industry.
Question 2: How are you dealing with the growing problem of water availability and climate change?

- They should be doing as much water sequestration as they can. When it rains, to protect it, to really store it as best they can. Most people have some water recovery system. But the other thing is the amount of water they use in their operations. I see breweries and distillers becoming really conscious of how much water they use in the process of making their product. Do we have that in the wine industry? I am not as close to it, but I don’t hear as much about it.
Question 2: How are you dealing with the growing problem of water availability and climate change?

- We are installing a Lyve system and it should be up in place by the end of this year. We are generating about 2 million gallons of wastewater annually, and will be able to use roughly half of that in irrigating the Cab vineyard here on this property. Again, if this pays out the way we are designing it to, a million gallons of wastewater would displace roughly half the water we pump from our well. Presently this water is treated and dripped into the forest. With the Lyve system we can treat it to irrigate our vines. This allows us to pump less water from the ground.
Question 2: Summaries

- Investing in vineyards and land with good access to water, which usually implies moving northward away from the lower San Joaquin Valley and central coast.

- Choosing vigorous rootstocks that can maximize vigor with as little water as possible.

- Reducing demand for water in the winery and vineyard by maximizing water use efficiency.

- Use of rainwater catchment and storage.

- Investing in on site wastewater treatment systems that can treat winery wastewater to quality acceptable for vineyard irrigation.
**Question 3:** With the large distributor consolidations that have occurred, do you see specialty players emerging to cater to smaller accounts?

- So much of our route to market is handled by a single company now; it is rather frightening. The clout they have over us is remarkable. They do a good job for us; we have grown with them, but it is certainly a concern. I am not aware of any new startup that is viable at this point. You would think the opportunity would present itself at some point, but I am not aware of it. I would think that it would benefit the smaller wineries quite a bit if there were new players.

- As you consolidate the big ones, it gives the opportunity for the little guy to come up. And it becomes a real challenge for smaller wineries. With the Southern-Glazer merger, I think they dropped something like 300-500 wineries. A couple of friends of mine got the letter. This is a brand that is doing 25,000 cases a year. It’s a lot of wineries.
Currently we are not seeing a surge in smaller or boutique type distributors. There are a few of them out there and in the valley, but not a whole lot of them out there. We do see larger distributors adding boutique operations. They have always had them [to a degree]. I think we are going to see these large distributors making these divisions for smaller production wineries. The fine wine aspect of it.

You will see smaller distributors opening up but they wont have the same skill set or professionalism, they’ll open up but they will still get clobbered by the big guys. They will serve as the kind of periphery but still the big guys are going to knock out any smaller distributors.

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- Without a doubt there is going to be a more robust smaller tiered distribution system that will become stronger and more robust over time.

- I bet there are more distributors than there were ten years ago. There are just more small ones. Will they survive? I think they will continue to be swallowed up by the big guys as they become viable. A lot of these small distributors will want exit strategies; that is what we see. The reason we buy brands like we do, is because they come with a new distributor network. We try to take advantage of multiple distributors in multiple states. We try to pick the right distributor for the right brand in our portfolio.
I think over the next ten years we are going to see a few more distributors pop up because the very larger ones out there can’t possibly do justice to all the brands out there. I think new ones who are well financed and understand the business can find their own niche.

I don’t think we are going to have a new major arrival on the scene. There will be smaller more nimble companies that arrive depending on what accounts they need to cover. Are you trying to do on premise, off premise, high end, medium price, lower price? If you need a full service distributor I think you will have to deal with the ones you got right now.

I think in many areas most markets are going to end up with two major wholesalers, and one medium wholesaler that is focused more on smaller wineries and smaller craft distilleries. I do not believe there is going to be a significant number of small distributors because the economics don’t make sense if you are too small.
Question 3: With the large distributor consolidations that have occurred, do you see specialty players emerging to cater to smaller accounts.

- I think we are seeing that right now. There are quite a few boutique distributors. The challenge is coverage. The big distributors have an advantage with the large sales force and are calling on restaurants and retailers almost every day. Boutique must pick the cream, the very best accounts they can. So they are very different models.

- The smaller wineries aren’t really thinking about distributors and are all going direct sale and making that their format to grow through their tasting rooms and wine clubs. Growth is smaller and not as quick, but it is more profitable.
Question 3: Summaries

- Larger distributors are making specialty teams to cater to smaller and premium accounts, yet are still dropping accounts sizeable enough to seek distribution elsewhere.

- Small distributors will arise to cater to boutique and specialty accounts, and will need to pick their markets and accounts wisely to succeed, but will face many challenges to market entry from larger players and their own limited financial resources.

- Smaller distributors that become successful will most likely be bought by larger distributors, creating a new round of consolidation.

- Many smaller wineries will most likely pursue the route of DTC marketing.
Because they are the babies of the baby-boomers. I think it is a cultural shift in America led by the baby boomers. More acceptance towards alcoholic beverages overall. Less puritanism going on and perhaps easier accessibility. And generally more fluency and exposure to it. Less stigmatism.

Nobody wants to do exactly what their parents did. Most people are introduced to wine around the dinner table. People like to keep changing. Changing from your parents. If you grew up in the 50’s and 60’s they drank scotch and sodas or gin and tonics. If you grew up in the 70’s and 80’s they drank more traditional wines. We have always been morphing. I think the millennials are drinking new stuff. They want to go out into the world of wine and not just Bordeaux, or Napa cab. They want to go out and try new varietals.
Question 4: There is data showing the millennial generation drinking more and higher quality wine. Do you think this is true, and, if so, why?

- Curiosity is another part of it. People want to know what is out there. They want to try new things. The old standard of a gin and tonic or a captain and coke; those are easy and accessible. People want to know more about the world; especially the younger generation, and wine is a part of that.

- It just seems like we as a culture have accepted wine as a more everyday part of life instead of a celebratory kind of thing.

- Millennials are interested in the details and I imagine the next generation as well more so. The notion of authenticity. The notion of ‘what is this.’

- It goes hand to hand with the generation being more social. Wine and cocktails, it’s just a bigger part of their culture. The sharing, the social media, it’s just a part of their culture.
The millennials today are so much more knowledgeable. With social media. Their technology. They search for new things, new ideas, new products. You can see them studying a wine label, taking a picture of it, bringing the wine label up on their iphone; trying to find out more about it. They have this tremendous need for knowledge. They are searching for wine from predominantly California, but also all over the world. They want to learn about the old world and the new world. They discovered bubbly, so they are drinking more bubbly, so much more bubbly. And this is going to help the entire industry.

They are more informed. When I grew up there wasn’t a lot of selection or a lot of information. Today, kids are much more informed about the products they are drinking. So one, they are more informed. Two, just the availability.

**Question 4:** There is data showing the millennial generation drinking more and higher quality wine. Do you think this is true, and, if so, why?
I think a lot of them are foodies. They love food and wine goes extremely well with food. I remember 25 years ago the biggest thing in the wine industry is it was intimidating. People were very concerned about mispronouncing the name of a variety. Now the young people have been trained on Starbucks and can describe the most complicated food and drinks and are not at all unsure of themselves.

They believe in affordable luxuries and treating themselves well. They are more thoughtful than any other generation about the products they use while they use them. They like affordable luxuries and they like to treat themselves well. It’s a demanding world today, and very unforgiving. I think they feel they deserve to treat themselves well.
I don’t think any generation has ever reached the level of ‘desire for experiences’ that the millenial generation has. It’s the reason why this whole rental economy is so pervasive. Why AirBnb is so successful. You have so many experiences you can borrow for a moment. And these young people are really going for it.

I have millennial children, and both of them talk about the fact that millennials as a generation believe in experiences. I think that probably has something to do with it. They love good things; they are the generation of gourmet food. If you look at the way the dining scene has changed in America over the last 15 years, it isn’t a surprise that they are interested in good fresh food and the new beer generation; craft beers.

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- Napa Valley is blessed to have 12 million savvy, smart, well informed, people sitting within an hour and a half drive of us that can gain access not only to wine, but to an experience which is right up their allies. Sophisticated; Safe; Sexy, Romantic. It has all the trappings. So an immediate subset of millenials from the bay area, perhaps we have benefited from that.

- They are a visual group. If your winery is not really really savvy about what a millennial wants to see in a webpage, or app, or how your wine is featured. Is it communicative? Shareable? If you don’t have that down it is dead meat. I think a lot of good wineries have that and a lot of old wineries are struggling with that; being boring.
Question 4: There is data showing the millennial generation drinking more and higher quality wine. Do you think this is true, and, if so, why?

- I think we marketed to them with the right message. Wine is a healthy beverage when consumed moderately and responsibly. It is an integral component when it comes to gathering with family or friends. This generation is really tied to authenticity. I think we as an industry has done a pretty good job to communicate to them. And I think to continue to attract millennials to our products we will just have to continue to listen to them. And I think we haven’t done too bad of a job.

- Wine is becoming more socially acceptable and more like a main line consumer product that consumers can not only enjoy the quality, but can get some emotional connection to the product; which wasn’t true 15 years ago.
Question 4: There is data showing the millennial generation drinking more and higher quality wine. Do you think this is true, and, if so, why?

- For the industry to keep up, we need to keep up with what these millennial consumers demand: premium brands, convenience and taste trends like red blends, light whites and sparkling wines.

- It is a classy way to drink. If you are sitting at a bar and you are drinking a captain and coke, it does not exude that you are a classy person. If you are drinking a glass of the hottest provance Rose, people are going to look at you and think that person has some class. So I do feel that a big part of it is the visual tie to what people will perceive you as. That said I think you are going to get a more guaranteed product as opposed to a bartender schlepping out some C grade liquor that may not be perfectly proportionate to the mixer going in there.
Question 4: Summaries

- The parents of Millennials were the first generation to start drinking wine at the table.
- Movement of wine consumption beyond purely celebratory to everyday life.
- There is a growing curiosity to expand from the habits of the past generation into a wider market of diverse boutique products, in part driven by the ease of sharing information through the internet and social media.
- The use of technology to share information and discover what the market has to offer accelerates the ability of millennials to find boutique products outside of conventional retail.
- The drinking of high quality wine could be considered to be an extension of the foodie movement, which seeks high quality and local food. Naturally, good wine pairs with this food.
- People, newer generations, are driven by a desire for authenticity, quality, and image. Boutique wine fits into the paradigm of authenticity, quality, and image.
- Curiosity driven culture driven by desire for experiences.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- The number one issue will be intensification of competition. The second factor I would say which we see today but will accelerate dramatically will be restriction on DTC business and specifically winery tasting rooms. I think we are going to see an aggressive move to restrict to enhance traffic flow, I really see that as a big issue.

- I think we may see a direct to consumer model that actually starts to work across the price ranges. It’s going to take a while, we’ve talked about this other years, the logistics of the supply chain of wine are tough and so heavy and that’s why most of your average price point is between 30 and 40 bucks a bottle on DTC. But we’re starting to buy our laundry detergent from Amazon. I think somebody, or over time, we’re going to figure out how to have this DTC model work on wine in a way that makes sense. Not only at thirty dollars a bottle.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- The wine brands continue to proliferate; whether it is existing large wineries adding new brands or brands popping up; we don’t see a reduction in that yet. But I think the consolidation of distributors will rationalize these brands and say we don’t need 10,000 brands. They will start forcing the reduction in brands because they won’t be distributing.

- At a national level I think there are too many wineries and too many brands. Either some will go away, which seems unlikely, or we are setting ourselves up for a very competitive price war situation. The water thing to me is clearly an issue over the next ten years, but it is so regional. The guy in Kern versus the guy in the Foothills, versus in Mendocino, versus Santa Barbara, versus Napa. The dynamics of the problem are quite different by region. And therefore I believe that the north coast will weather the long term climate change and water issues better than almost any wine growing region in the state.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- Water and the economy. With the currencies and the uncertainty out there. I think there will be more volatility and that is going to impact this industry tremendously. Currencies. If the Euro collapses then wine is much cheaper to ship in here and we can’t ship over there, as an example.

- I think we are well overdue for another recession. If you look at the whole international landscape and craziness and volatility in this world, that will eventually trickle down and cause us some problems in some way, shape or form, we just don’t know what that is right now.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- Imports. They aren’t regulated. They are subsidized. Back in the seventies they were 5%, then 10%, then 20%, now it is a third. There was more imported SKU in America than American made products. On the west coast all you see is California wine. Anywhere on the east coast you just see imports.

- Another thing is competition from imports. We continue to see that being a significant issue for California wines. Not just from overseas but competition from Oregon, Washington, and overseas. The competition is coming from every place. And it is something we have all been aware of but I don’t think anyone has come up with any significant strategy to deal with it besides better brand marketing and better quality and the like.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- Well, we’ve got a huge labor issue. Certainly in California over the next five years with the raising of the minimum wage, farming companies are going to have to be, especially in the premium wine areas of Napa and Sonoma, a few dollars higher than the minimum wage to attract labor.

- I think labor prices and shortages will not be insurmountable, but will radically change and shift to make the business more expensive. Mechanization will fill in the gaps. It will be a massive transformation. Much faster and aggressive than I would have expected.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- I think supply, especially in the premium areas of the state are going to become more and more of an issue. Ten years from now especially. I think supply; these guys that are buying labels without vineyards. Meiomi and Prisoner type thing.

- Grape supply, it continues to get tighter and tighter and tighter. There are no significant new plantings that are going to alleviate that issue. The prices of grapes keeps going up and up and up, so we continue to see margin compression.
Question 5: What do you think will be the hottest issues over the next five to ten years?

The changing face of the industry. We’re going to have new leaders. I see some of the same faces in the crowd and I wonder when they are going to start changing. They are starting to change a little bit; the Joe Wagners of the world who started in his early thirties. So we must anticipate and look to those who will be really good mentors for the next generation. It will be interesting to see.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- There is a bit of a resurgence of neo-prohibitionism. Sometimes it comes up here and there and whether that grows or not is hard to say. There is talk about wine airlocks on vehicles. If the legal BAC goes down to .05, as some would like to do, it will make it much more difficult for a couple to go out and have a bottle. In fact almost prohibitive.

- Look what is happening in Europe today, with the growing Islamic population. Over the next 10 years it may begin to affect wineries and vineyards in Europe. It is something to think about. We don’t have the answer to that. I think more doctors will write more articles about the health benefits of drinking in moderation.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- The changing U.S. consumer demographic will also continue to change and will dictate innovation and marketing. For example, the Hispanic population in the U.S. is expected to grow by 14.8 million over the next 10 years. Hispanics are responsible for half of the growth in the Total Alcohol Beverage (TAB) category since 2010.

- A big thing I think will be ingredient labeling, which is kind of being talked about now, and pollution and its effect on the environment. I can envision ten years from now that ETS may have tests for arsenic, car exhaust, etc.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- The only other thing I think may be interesting to observe over the next ten years is the impact of other controlled substances on the industry. Specifically legalization of marijuana. But right now we don’t see any impact.

- There is going to be an evolution of how alcohol is distributed. That will render obsolete some of the laws and regulations we have today. Cannabis will most likely be legalized within the next ten years. It will be interesting to see the impact that will have on the wine business and how those intoxicants are legislated. But overall we are optimistic that the wine business will continue to flourish. If you look at our consumption patterns we are still in the early innings of a consumption category that is going to mature over a long period of time.
Question 5: What do you think will be the hottest issues over the next five to ten years?

- I see the future of the wine business is great. It really is truly great.
Question 5: Summaries

- Electronic retailers or retailing arising, driven into existence from the pressure for DTC sales to work for cities, wineries, and consumers.
- Possible reduction in brands forced by market and retail conditions.
- Economic, political and climate related volatility causing market disruptions.
- Competition from imports.
- Supply constraint.
- Labor shortages and mechanization.
2016 Wine Industry Financial Symposium Industry Trends Survey

Compiled by the Wine Industry Financial Symposium Group® and the U.C. Davis Graduate School of Management

Survey taken in July 2016- 150 Respondents
2. 2016 Respondent Categories

- Winery: 19%
- Grower: 13%
- Grower & Wine Producer: 49%
- Legal: 1%
- Lender: 1%
- Finance: 3%
- Professional: 10%
- Retailer: 3%
- Distributor: 1%
3. 2016 - Location of Respondents

- Sonoma 30%
- Napa 34%
- Central Coast 11%
- North Coast 8%
- Lodi 5%
- Foothills 4%
- Northern Interior 4%
- Central Valley 3%
- South Coast 1%
1. 2016- Most Significant Changes in Past Year

- Labor Shortage/Cost: 47%
- Consolidation of...: 41%
- Impact of M & A: 36%
- Higher Grape Prices: 25%
- Shift of Generations: 25%
6. 2015 Top Five Factors Having a **Positive Impact** on California Wine Sales over the Next Three Years (Scale of 1 to 5)

- **Improving Economy**: 3.8
- **Increased Direct to Consumer**: 3.66
- **Trading Up - High End Stronger**: 3.61
- **Strong Consumer Confidence**: 3.55
- **Bigger Consumer Base**: 3.51
7. 2016 What Respondents Think Will Have a Negative Impact on California Wine Sales Over the Next Three Years.
9. 2016- Strength of Red Varietals over the Next Three Years
(Scale of 1 to 5)

- Cabernet Sauvignon: 4.26
- Pinot Noir: 4.01
- Red Blends: 4.01
- Red Zinfandel: 2.88
- Merlot: 2.56
- Syrah: 2.23
9. 2015- What Respondents Think About the Strength of White Varietals Over the Next Few Years (Scale of 1 to 5)

- Chardonnay: 3.55
- Sauvignon Blanc: 3.51
- Pinot Grigio: 3.2
- Muscat: 2.32
- White Zinfandel: 1.77
11. 2016 Respondent Business Plan Changes

- Focusing on Higher Quality, Higher Profit Wines: 83.6%
- Increasing Consumer Direct: 75.8%
- More Focus on Social Media: 70.4%
- Connect More With Millennials: 68.1%
- Investing in Vineyard Technology: 68.1%
- Reducing Cost of Operations: 65.4%
- Investing in Water Saving Technology: 60.4%
12. 2016- Importance of Social Media Tools (Scale of 1 to 5)
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WHAT WINE INDUSTRY LEADERS THINK IS IMPORTANT FOR THE FUTURE

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