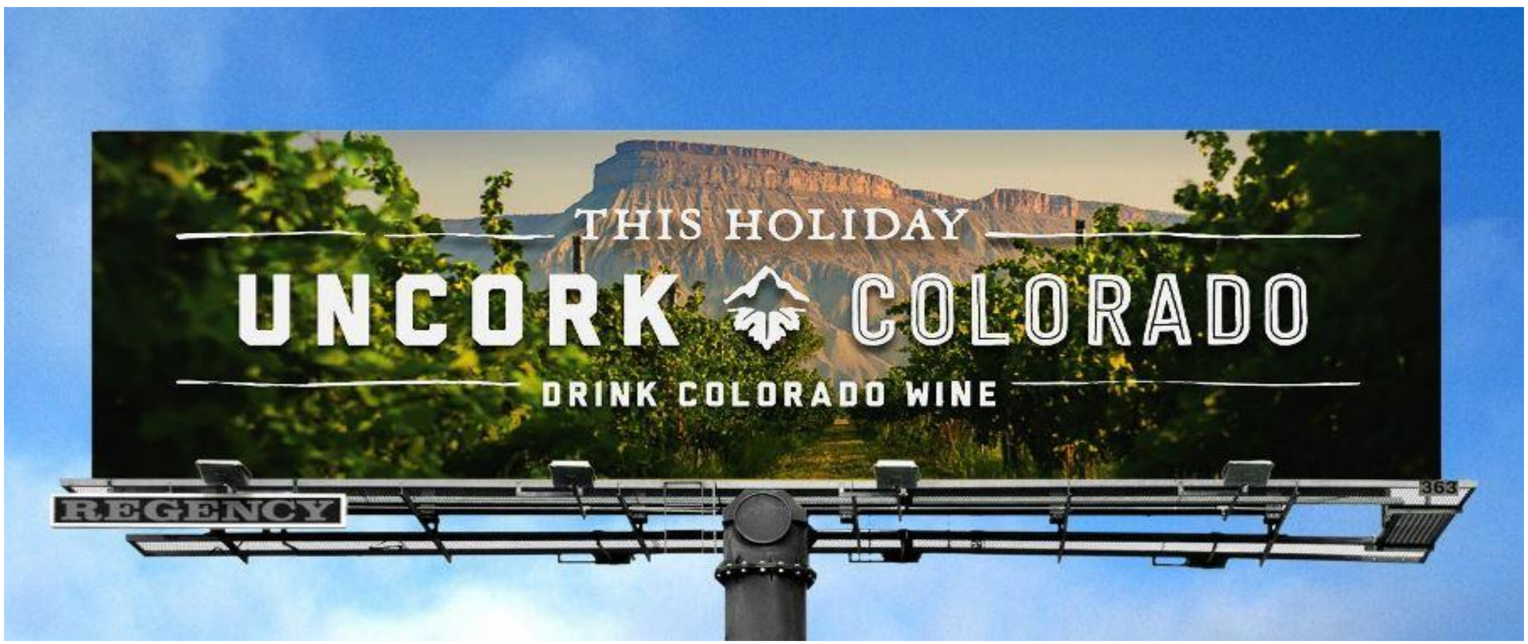
Colorado Wine Industry Development Board Update,

with hints of mountains, sunshine and blue sky



Doug Caskey, executive director
CO Wine Industry Development Board

CWIDB Update, VinCO, 20 January 2016

Dr. Gerald Ivancie, Colorado Wine Pioneer

- Started Ivancie Wines, Colorado's 1st modern winery, in his Denver basement in 1968
- Hired Warren Winiarski as winemaker
- Passed away on January 1, 2016 surrounded by his family

CWIDB's Strategic Goals

A work in progress: based on 1st planning session, Nov. 8-9 in Broomfield with JT Trierweiler from MI

- Economic and Business Development
  - Increase sales of all Colorado wines
  - Attract outside investment

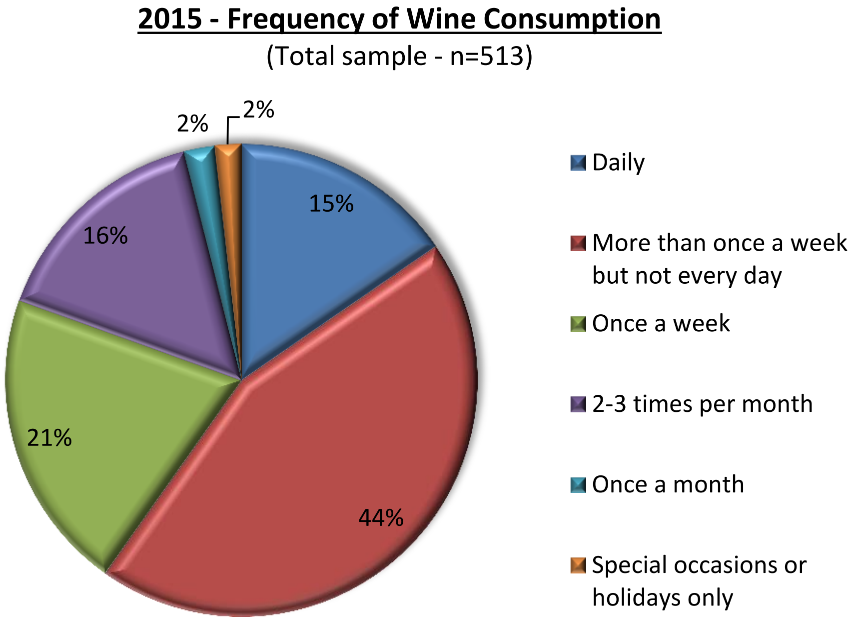
- Quality
  - Increase perceived value and balance of quality to value ratio
  - Reboot Quality Initiative
- Marketing
  - Increase market share by $ to 10% using existing measures
- Research
  - Provide tools to enable growers/wineries to prosper in a high desert environment
  - Effectively communicate the result and applications of research to every winery and grower

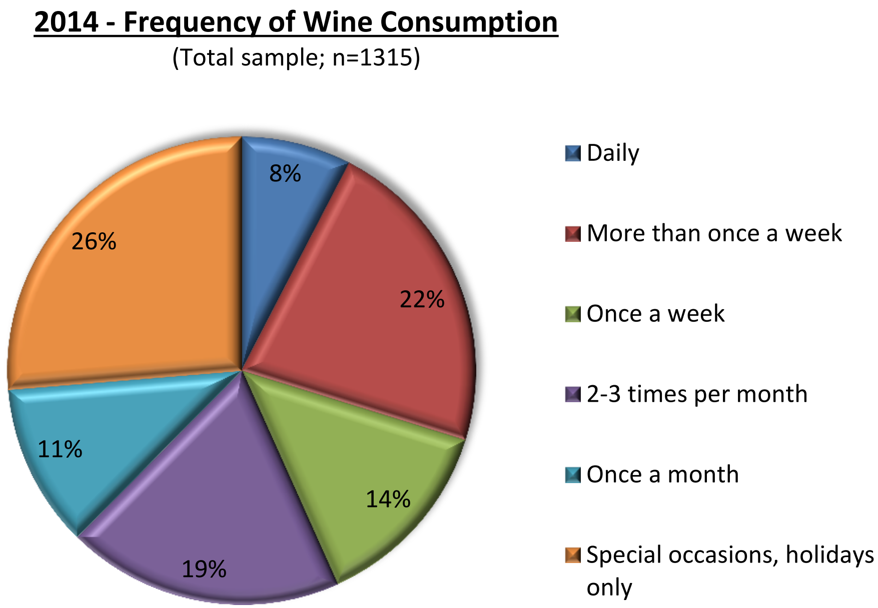
CWIDB Consumer Survey:

August 2015

analysis from Barbara Gasper, Focus Research & Strategy

- Comparison to 2014 survey but with significant variation in sample make-up
  - 2015: 46% males
    2014: 22% males
  - 2015: 80% of respondents consume wine weekly or more
    2014: 43%
  - No baseline established as yet

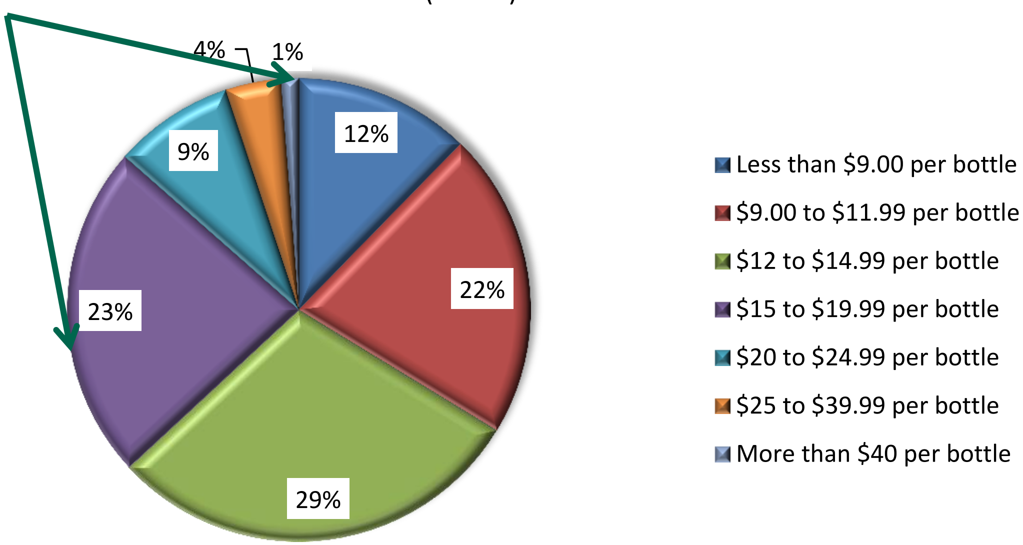




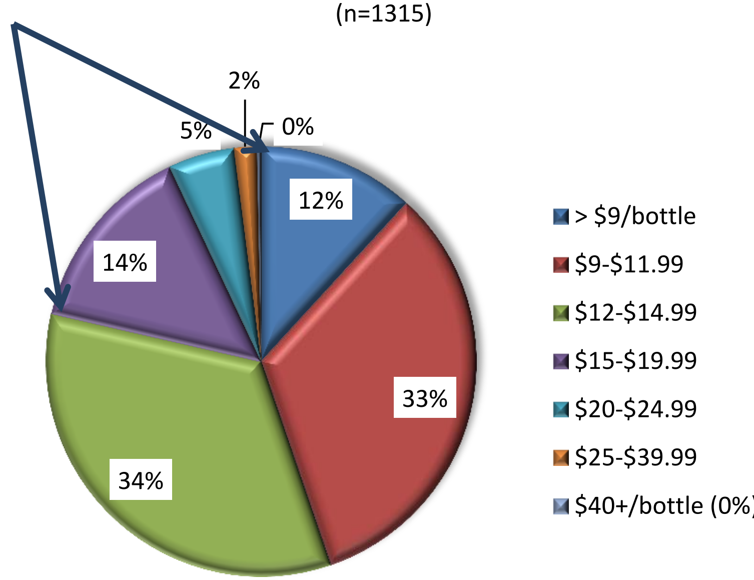
CWIDB Consumer Survey:

- Increase in willingness to spend per 750ml *represents different consumer segment, not a trend*
  - $15 or more: 37% in 2015; 21% in 2014
  - $9-15: 51% in 2015; 67% in 2014

2015 - % People spending $ on bottle of wine
(n=513)



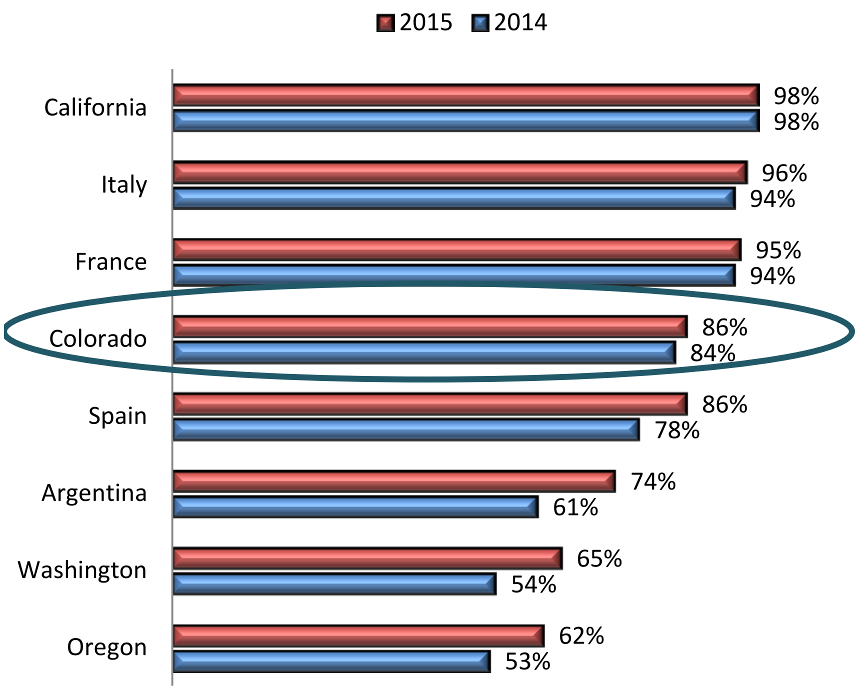
2014 - % People spending $ on bottle of wine
(n=1315)



Awareness of CO wine production high:

- 86% of wine drinkers know wine is produced in Colorado; slightly up from 2014 - 84%.
- Same familiarity rate as for CO Proud in 2015
- 95+% know wine is produced in California, Italy and France
- On an open ended basis, Napa/California, Spain, Colorado, Australia come to mind.

Where heard of wine produced (aided)
(Total Sample)



Areas come to mind – open end
Word Cloud – most mentioned in larger text

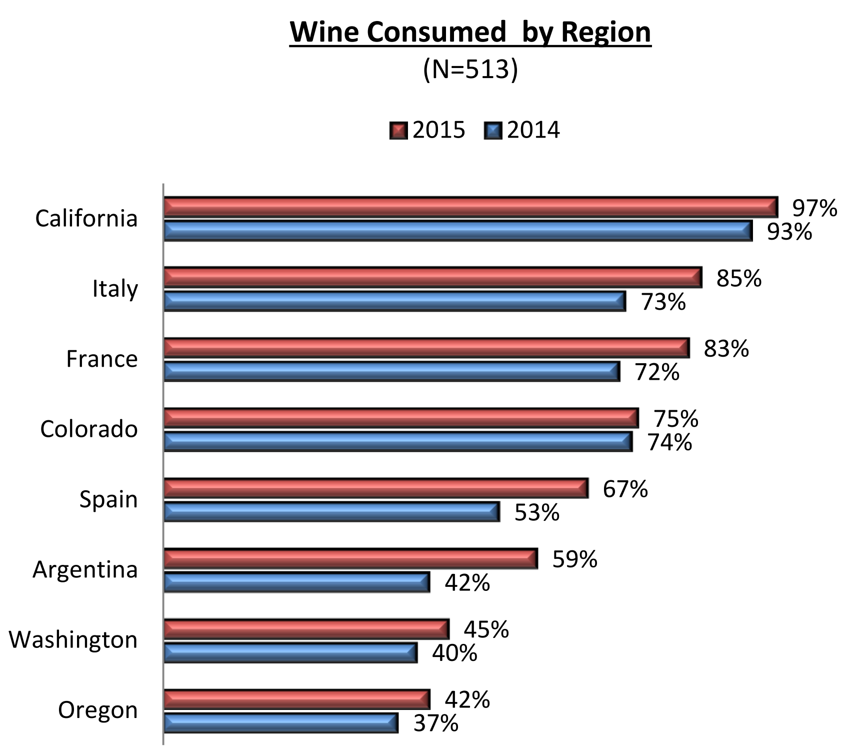
California	98.25%
Oregon	61.99%
Colorado	85.77%
New York State	39.38%
Idaho	9.55%
Washington State	64.52%
Argentina	74.27%
Spain	85.77%
France	95.13%
Italy	95.91%
Slovenia	7.21%

Other (23%) - open ends

Q. 9 What geographic areas come to mind when thinking about where wine is produced? Write in.
Q. 10 From which of the following geographic areas have you ever heard of wine being produced?

CWIDB Consumer Survey:

- 25% have never consumed CO wine
  - 26% in 2014
  - 3% have never consumed CA wine
  - 17% have never purchased (vs. consumed) CO wines



CWIDB Consumer Survey:

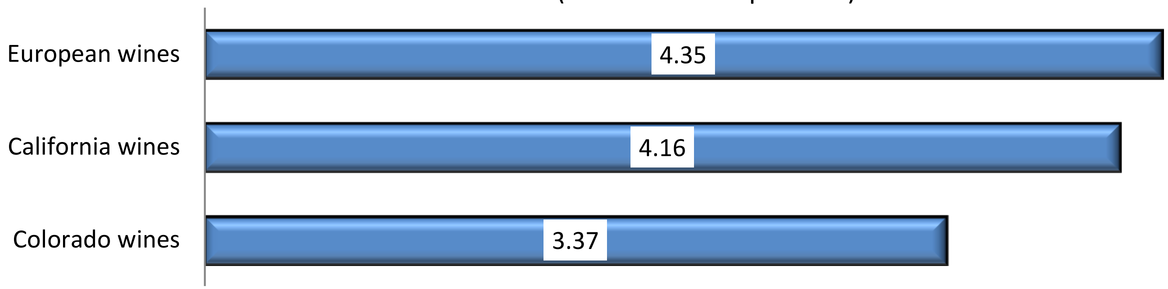
- Future purchase interest for CO wine vs. CA remains low. ***There is a gap to fill***.
  - CO: 52% (top 2 answers: definitely or probably will buy)
  - CA: 87%
- Among 21-35 year old consumers
  - Consumption and awareness of CO wines lower in this group
  - **<u>They are more interested in wine tasting events and visiting local wineries</u>**
  - 36% say they would definitely buy CO wine

Impressions of quality by region:

- **Impressions among 2015 wine drinkers of European and California wines is high - above 4.00 mean. Similar to 2014.**
- **Colorado quality impression is average - 3.37 mean.**

2015 - Quality of Wine Impression

(Mean score - 5 pt. scale)



2014
4.28
4.15
3.52

- **In 2015, most believe wine quality is staying about the same. .**
- **Colorado wine is viewed by more people as somewhat improving in quality.**
- **Very few believe any wines are declining in quality.**

Changes in quality Among total wine drinkers (n=513)	Quality significantly declining	Quality somewhat declining	Quality staying about the same	Quality somewhat improving	Quality significantly improving	N/A
European wine - 2015	0%	4%	71%	19%	6%	-
Californian wine - 2015	0%	4%	54%	30%	12%	-
Colorado wine - 2015	0%	1%	41%	46%	12%	-
Colorado wine - 2014	0%	1%	19%	27%	14%	39%

Q. 18 Select the statement that best describes your opinion and impression regarding the quality of wines from each of the following geographic areas. Check one in each row. If you have never tried wine from a particular region or have no opinion, please select N/A.

Q. 19 Select the statement that best describes your opinion and impression of the change in quality of wines over time from each of the following geographic areas. Check one in each row. If you have never tried wine from a particular region or have no opinion, please select N/A.

Value & price expectation by region:

- **57% of 2015 wine drinkers believe European wine is somewhat or significantly over priced. Also high in 2014 – 48%.**
- **64% believe Colorado wine is fairly priced in 2015 vs. 45% in 2014 among less frequent wine drinkers.**

Total wine drinkers (n=513) Value	Extremely underpriced	Somewhat underpriced	Fairly priced	Somewhat overpriced	Extremely overpriced	N/A
European wine	0%	1%	42%	45%	12%	-
Californian wine	0%	1%	68%	26%	5%	-
Colorado wine 2015	0%	2%	64%	29%	4%	-
Colorado wine 2014	1%	2%	45%	17%	3%	33%

- **Pricing of Colorado wine in 2015 is $15 - $19.99 among a higher percent of frequent wine drinkers – 30% vs. less frequent wine drinkers in 2014 – 20%.**
- **As in 2014, European wines are expected to cost more; $15-$25 per bottle, by most people in 2015.**

Total wine drinkers (n=513) Expect to Pay	Less than $9 per bottle	$9 - $11.99 per bottle	$12 - $14.99 per bottle	$15 - $19.99 per bottle	$20 - $24.99 per bottle	$25 - $39.99 per bottle	$40 or more per bottle
European wine	1%	11%	21%	33%	21%	9%	4%
California wine	6%	24%	29%	24%	11%	6%	1%
Colorado wine 2015	5%	20%	31%	30%	13%	2%	0%
Colorado wine 2014	5%	17%	25%	20%	6%	1%	0%

Q. 20 Select the statement that best describes your opinion and impression regarding the pricing for the quality of wines from each of the following geographic areas. Check one in each row.

Q. 21 What do you expect to spend at a wine shop or liquor store for a typical bottle (750 ml) of wine from each of the following geographic areas? Think about the average price for each region. Check one in each row.

Opinions of Colorado wines:

- Supporting local growers is something 2015 wine drinkers want to do.
- They are also interested in visiting local wineries & wine tasting events, but 36% have never visited a winery.
- 2015 drinkers also believe that locally grown restaurants should feature Colorado grown wine.
- In terms of percent of total wine purchases, Colorado wine is less than 10% of their total for 57% of 2015 wine drinkers.

Among total wine drinkers (n=513)	Mean (5 pt scale)
I like to buy Colorado and support local growers	4.00
I am interested in visiting Colorado wineries	3.97
Restaurants that feature locally grown food should also…	3.96
I am interested in Colorado wine tasting events	3.81
Craftsmanship is apparent in Colorado wines	3.35
Grapes in Colorado are exposed to cooler nights and hotter days which leads to better wines	3.31
It's hard to find Colorado wines in liquor stores	3.12
Colorado wines are fresher than other wines	2.98
I don't think about Colorado wines as local.	2.24

Percent of total Wine purchases	
More than 50% of my wine purchases are Colorado wine	2%
25% to 49% of my wine purchases are Colorado wine	6%
10% to 24% of my wine purchases are Colorado wine	7%
10% to 19% of my wine purchases are Colorado wine	9%
1% to 9% of my wine purchases are Colorado wine	28%
Less than 1% of my wine purchases are Colorado wine	29%
I do not purchase Colorado wine	19%

Visted Co. Winery	
Yes, many times, all across the state	11%
Yes, but only on the Western Slope (Palisade, Grand Junction, Paonia, Cortez, etc.)	25%
Yes, but only on the Front Range (Denver, Boulder, Loveland, Colorado Springs, etc.)	22%
Yes, but only in the mountains (Woodland Park, Glenwood Springs, Salida, Cañon City, etc.)	12%
No. I have never visited a Colorado Winery or tasting room.	36%

Q. 26 What are your opinions and impressions of Colorado wines?

Recommendations from Focus R&S

Fill the gap between "aware" of Co wine and "future PI" of Colorado wine.

- Give them reasons to try CO wine – what are it's benefits vs. California and European wine?

Improve quality ~~perceptions~~ of Co wine - more in line with California and European wines:

- Impressions of CO wine quality are lower vs. California & Europe.
- With most believing quality is staying the same
- Messaging around quality may gain some traction in the future.
- Wine awards, honors, taste reviews in magazines may help.

Give them reasons to pay more for Colorado wines.

- Colorado wines are currently seen as somewhat overpriced by 29% - this, combined with lower quality perceptions are likely strong barriers to purchase vs. other options from California.

Improve quality cues for Colorado wines vs. California wines

- Locally grown and Colorado sourced are good messages, but perhaps wine drinkers are not getting "quality" benefits from these local messages.

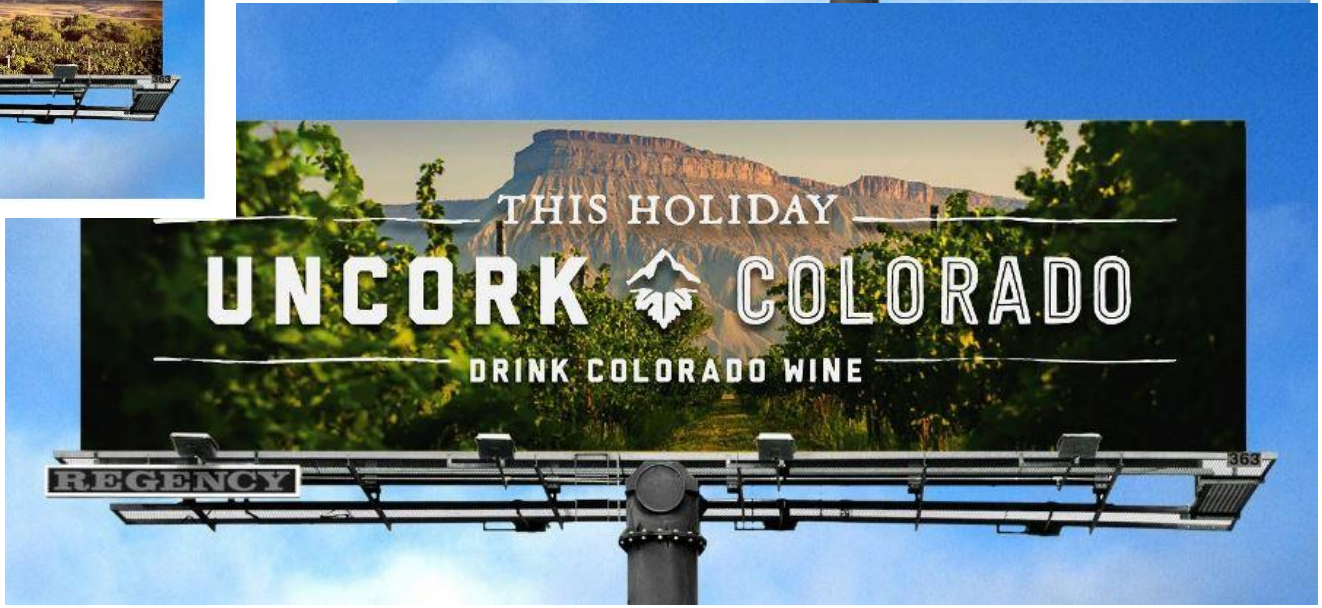
Target younger 21-35 wine drinkers

- Granted, they tend to drink less wine (likely due to ciders, mixed spirits, beer and other options) but they are most interested in the locally grown story and visiting wineries and tasting local wines.
- Their future purchase interest is strong.

Recommendations from Focus R&S

Continue local advertising messages and add in quality communication points.

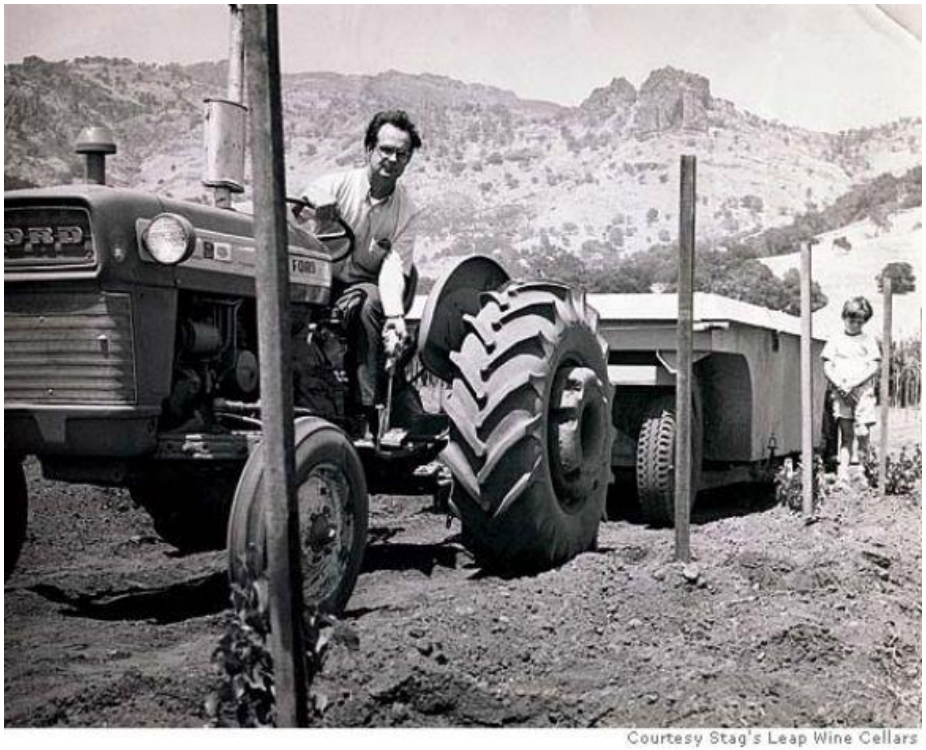
- Ads in this test made over 1/3 of respondents interested in buying CO wine.
- Help consumers bridge the quality gap: why does locally grown lead to higher quality?



CWIDB Consumer Survey:

- Any questions or comments?

A Bit of Colorado Wine History. Want More?



- **Warren Winiarski**, the UC Davis grad who served as the winemaker for Denver's Ivancie Winery in the 1960s, shown in 1970 planting Stag's Leap Vineyard in Napa Valley
  Photo courtesy Stag's Leap Wine Cellars

- **Joseph Phelps** planted grapes in Greeley and made wine in his basement
- **Ray Duncan's** family (Silver Oak) had a wine blending sales room in the Larimer Square area

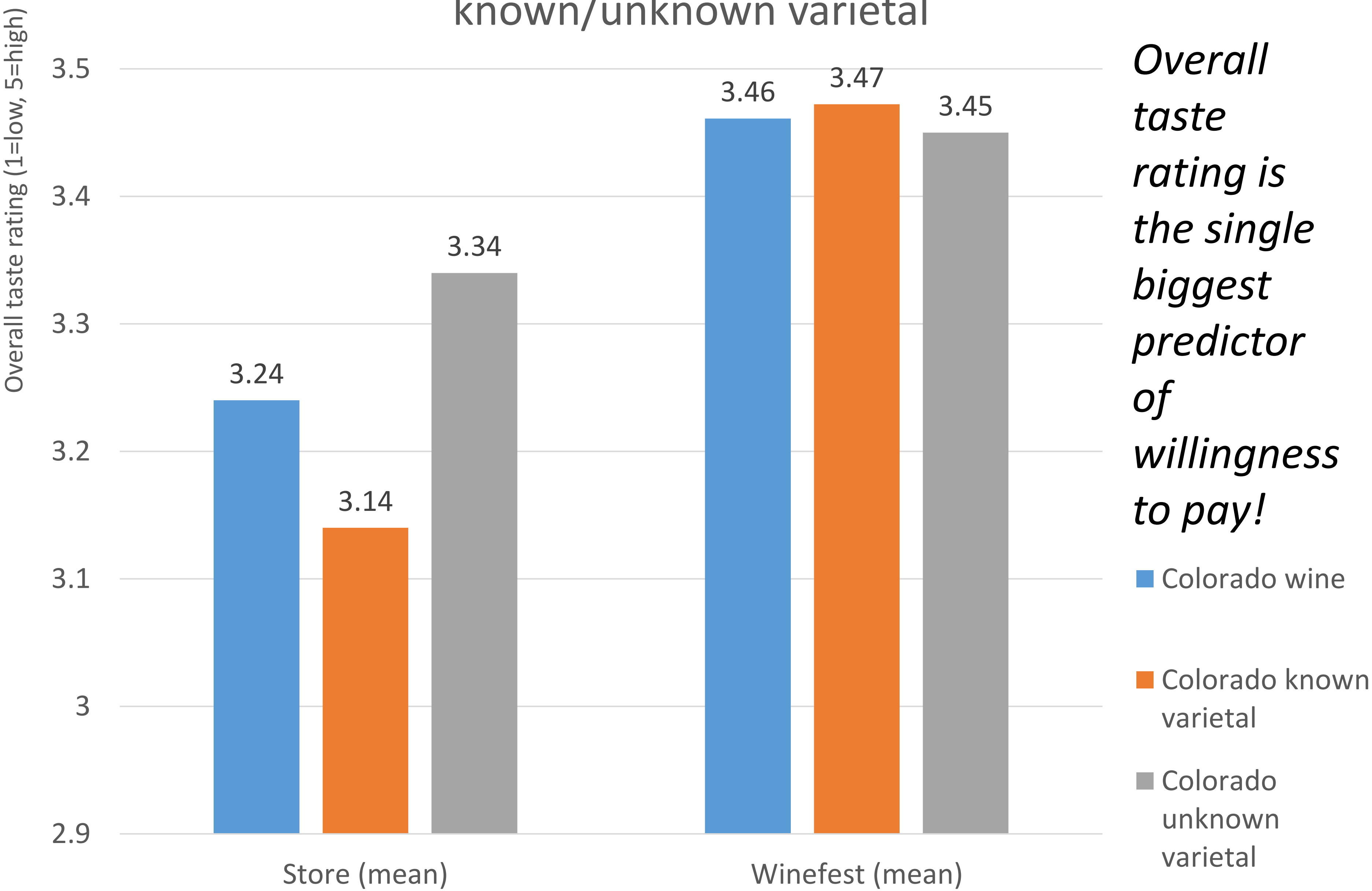
CWIDB Specialty Crop Block Grant Project: "A New Approach to Blending CO Wines and Consumer Response"

- $29,000 USDA SCBG funds and $24,000 match
  - ➢ CAVE in-kind: $700
  - ➢ CWIDB in-kind (staff time): $10,400
  - ➢ CSU in-kind (waived indirect costs): $2,300
  - ➢ CWIDB cash (coupons, etc.): $10,600
- Two work segments
  - ➢ Consumer survey of flavor preferences and willingness to pay for familiar vs. unfamiliar grape varieties, CO vs. CA
  - ➢ Marketing consultation on new products made with cold-tolerant varieties or blends

CWIDB Specialty Crop Block Grant Project

- Consumer survey results
  - ➢ Overall Taste rating is the strongest determinant of respondent willingness to pay
    - The overall taste of the wine must be appealing to consumers in for them to be willing to pay more
    - ***All wines must be made with quality and care***
  - ➢ Willingness to pay varies significantly by location
    - Respondents willing to pay the most overall for Colorado wine at Winefest, where they have an obvious preference for CO wines
    - This suggests that wine festivals, or similar venues, may be the most appropriate place to introduce or test new or unfamiliar varieties, as consumers are more inclined to pay more
- ➢ Nevertheless, the vast majority of wine is sold in liquor stores where the ability to capture consumer interest is the most important and impactful overall

In store and Winefest setting, overall taste rating by known/unknown varietal



Overall taste rating is the single biggest predictor of willingness to pay!

Note: Only includes red wine drinkers

CWIDB Specialty Crop Block Grant Project

- Consumer survey results, cont'd
  - In liquor store settings:
    - Data seems to indicate respondents felt California was more proficient at producing familiar *vinifera* varieties
    - And respondents were more comfortable with the familiar flavors of known grapes from a familiar location, CA over CO
  - However, some segment of respondents were generally willing to pay more made from Colorado wines with unknown varietals

Willingness to pay **here and now** by region and known/unknown varietal

- *245 consumers surveyed in store*
- *No stigma associated with hybrid or unknown grape varietals!*

Note: Only includes red wine drinkers, customers who came to the store to purchase wine, and those with a low willingness to pay >0

<u>CWIDB Specialty Crop Block Grant Project</u>

- Consumer survey results, cont'd
  - ➢ Respondents who **did not** know whether they were tasting a familiar or unfamiliar variety of grape from Colorado were **<u>willing to pay more for the unknown variety</u>**
  - ➢ Respondents who **did** know the variety of grape they were tasting from Colorado were **<u>willing to pay the same for the unfamiliar grape variety</u>** as they were for the known grape variety.
  - ➢ Meaning:
    - At the very least, no "penalty" or stigma for unfamiliar grapes
    - Perhaps consumers are more open to trying something out of the ordinary from a less familiar location, i.e.—Colorado.

CWIDB Specialty Crop Block Grant Project

- Consumer survey results, cont'd
  - ➢ This is **a unique opportunity** for the CO wine industry as it diversifies the varieties of grapes grown in the state:
    - Consumers do not bring the same prejudice against unfamiliar grape varieties to wines from an unfamiliar region as they do to unfamiliar grapes from a familiar region: *"If I am buying a CA wine, I don't want something unfamiliar."*
    - But if the consumer is unfamiliar with Marquette or Frontenac, they may well be more likely to try a new grape or style of wine from Colorado than they would the same kind of wine from California: *"As long as I don't know what to expect from CO, I might as well try something unusual."*

CWIDB Specialty Crop Block Grant Project

- What if we have been marketing CO wines the wrong way around for the past 25 years?
  - At the very least, the consumer seems to bring fewer pre-conceptions and expectations to an unfamiliar region.
  - That may translate to a greater openness if not an outright inclination to <u>try a less familiar variety of wine from an unfamiliar region (Colorado) than a familiar variety from that same region</u>
  - *Colorado* Cabernets will always be judged against the consumer's expectations for *California* Cabernets, just as California was judged against Bordeaux

<u>CWIDB Specialty Crop Block Grant Project</u>

- Marketing Consultations
  - ➢ It may actually be advantageous to identify unfamiliar varieties
    - Consumers will approach an unfamiliar wine variety from an unfamiliar region with fewer expectations as they will a familiar variety
    - Put educational information about the unfamiliar variety on the label: ancestry, flavor profile, etc.
    - Embrace don't shy away from the unknown
  - ➢ Introducing products made from or with unfamiliar grape varieties create an opportunity to employ new marketing and branding strategies
    - <u>Packaging</u>, such as box wines, wine in a bag, etc.
    - <u>Style</u>, such as sparkling or rosé
    - <u>Branding</u>, such as premium or economy proprietary blends

Other CWIDB Projects

- Quality Program(s)
  - Renewal of Quality recognition program incorporating a quality management training system
  - Begin exploration of implementing a CO Quality Assurance voluntary certification program based on the Seal of Quality statute, CRS 35-29
  - Possible Sensory Quality Evaluation panel cost-shared and in collaboration with NE and NM wine industries
  - Anyone interested in serving on the CWIDB Quality Committee, please contact Doug Caskey or Billie Witham, Two Rivers Winery

Other CWIDB Projects

- Marketing projects with Cultivator Ad & Design and VOCA PR
  - ➢ Redesign of coloradowine.com launched in June 2015
  - ➢ Corresponding with billboards in June-August 2015
    - 3 in Denver area, 1 in GJ, 1 on CO Springs
  - ➢ On-line digital ads targeted to Colorado wine consumers
  - ➢ Billboards repeated in Denver and CO Springs Thanksgiving to mid-December
  - ➢ Coupled with DIA train station domination in Concourse B & C
  - ➢ All to be repeated in 2016
  - ➢ Additional 2016 projects:
    - Redesign and reprint of CO Wine map/brochure
    - Media FAM trip
    - Governor's Cup Case promo event Judging July 15-17, 2016

See the slideshow in the hallway for more information

Other CWIDB Projects

Is your winery listing
up to date on
www.coloradowine.com?

Post winery events, too.

If you need log on help, call:

- Doug, 303.869.9177
- Kyle, 303.869.9178
- Claire, 303.444.4134

Other CWIDB Projects

Give us your input for
FY 2017 CO Wine Research Projects.

www.surveymonkey.com/r/2015_COWine_Research

CWIDB Quality Committee Chairs:

- Jay Christianson, Canyon Wine Cellars, 970.464.0888
- Michelle Cleveland, Creekside Cellars, 303.674.5460
- Or call Doug Caskey, 303.869.9177

Other CWIDB Projects

CO Alcohol Beverage Symposium, Aug. 2-3 (9-10)

Business, compliance and regulatory tracks

Denver metro area, all tiers and sectors

Other CWIDB Projects

- Legislative Committee
  - CAVE and CWIDB/CDA collaborating on legislation to allow limited wineries to personally deliver to consumers without using a common carrier, as currently required in CRS 12-47-403
  - Any objections to allowing appointed CWIDB members to serve multiple terms?
  - November 2016 ballot initiative to allow for sales of wine and full strength beer in grocery and convenience stores
    - CAVE is a member of keepcolocal.com
    - CWIDB statement:
      "The Colorado Wine Industry Development Board hopes any potential legislative changes to Colorado's liquor law will foster the continued growth and long-term success of licensed Colorado wineries, breweries, and distilleries. Colorado's alcohol beverage producers provide agricultural diversity, economic benefits, and of course merriment to the state and embracing the importance of these local producers is necessary for the continued success of the industry as a whole."

Thank you

Doug Caskey, exec. director
CO Wine Industry Development Board
c/o CO Dept. of Ag
305 Interlocken Pkwy
Broomfield, CO 80021
303.869.9177
doug.caskey@state.co.us
www.coloradowine.com