



## OUR LOVE AFFAIR WITH NAPA

*Leveraging Napa Growth to Achieve High Value Sales*

\*Originally published in our inaugural issue of Wine Dialogues in April 2017, we have fully updated the article with the latest data as of August 2018.

Among wine drinkers, Napa is the most well-known wine producing region in the U.S. with nearly universal recognition.<sup>1</sup> But not only are consumers aware of the Napa region, they associate it with high quality wines. How do we know? The sales data tells it all.

Wines with Napa listed at the appellation on the label make up over 40% of all dollar sales in the \$20+ wine category.<sup>2</sup> Consumers also reward flash sites featuring Napa wines – 39% of all domestic offers are wines carrying the Napa appellation.<sup>3</sup>



Last year, Napa was once again the clear leader with an average bottle price at \$62.66 on wines shipped Direct-to-Consumer (DtC). And that average price is growing with a YOY increase of nearly a dollar (\$.94) per bottle. For comparison, Oregon came in a distant second place with an average bottle price of \$39.16 (although it's worth noting Oregon average bottle price also rose by \$1.07). Napa wines comprise nearly half of the total \$2.69 billion DtC market, which grew \$360 million YOY.<sup>4</sup>

Of course, DtC pricing isn't a perfect proxy for what's happening in the broader realm of wine buying. Let's take a look at the region's dominance when people dine out. In the 2018 edition of Wine & Spirits "Restaurant Top 50," Napa wineries own six of the top 10 spots with wines selling at an average price of \$83-\$163 per bottle. Napa bottlings also capture nearly a quarter (12 or 24%) of the top 50 spots.<sup>5</sup>

We can affirm Napa's dominance through another lens as well. In 2017, among California Luxury+ priced wines (\$20 and above), sales of Cabernet and Chardonnay grew 11.4% (\$30.5 million) to \$297MM. While this is less than the pace of 15% and \$36 million the prior year, it is on a larger and still-

growing base. Furthermore, California Cabernet Sauvignon growth at prices above \$20 outpaced Chardonnay growth by 4 points, or more than \$11MM, last year.<sup>6</sup>

### MERCHANDISING

To capitalize on your consumer's love affair with Napa, make the wines easy to find by featuring them in your set.

- We know that consumers (of all generational cohorts) look for place of origin more than any other factor when purchasing a wine.<sup>7</sup>
- If you have a price flow set, carve out a section for Napa and take advantage of the consumer's bias to Napa wines.
- If you have a varietal set, consider blurring the lines and creating a geography call-out for Napa wines, regardless of varietal type.
- You can leverage the power of both "new" and "Napa" by creating an up-front section with new wines from Napa.

### BRINGING NAPA TO LIFE

Merchandising is important, but Napa is more than a wine label. With about 3.5 million people visiting Napa annually, an increase of about 200,000 over just two years, how can you bring Napa to your consumers?<sup>8</sup>

- Feature Napa wines consistently in your emails and social media channels. Many wineries can provide high-quality educational or promotional digital content and video you can repurpose.
- Harness the power of Napa by starting a Napa wine club, and stage wine pick-up parties similar to what many wineries offer their club members.
- Schedule some of your in-store tastings to feature only Napa wines and offer a premium experience, such as a cheese pairing.
- Where legal, create an epicurean event with chef-executed small bites and a reserve level tasting for an additional charge.



These high-touch experiences represent ways to capture the shift in consumer behaviors and spending. We don't have to tell you the last few years have brought declining traffic resulting from economic, e-commerce and generational shifts.

These declines aren't limited to the much talked about retail shifts from brick and mortar to online shopping. The restaurant industry has seen three years of same-store foot traffic and sales declines. There's a glimmer of hope that a new trend may be on the rise. A recent issue of *Nation's Restaurant News* projected increased restaurant revenues for 2018 after the second quarter saw a spike in restaurant sales. Still, the number of people coming through the doors remains down.<sup>9</sup> That means operators can't let your feet off the gas with experiences. They are the one thing that truly can't be duplicated any other way.

Tying goods to services and experiences remains a key strategy to hold on to or grow your share of the wine dollar. As seen in the recent restaurant revenue spike, that can help combat traffic declines outside of raising prices.<sup>10</sup> It's also a great way to keep new customers coming back when you can drive traffic increases. *(TIP: Don't miss out on your share of ecommerce sales, either. For tips on tapping into eRetail growth, read "The Who-What-Why of Drizly.")*

Bottom line? No matter which path you create to attract the Napa consumer, your efforts will be rewarded.

Want to leverage more California wine regions in your business? Learn how to "[Harness the Emotional Power of Sonoma](#)" and join us on "[The Other River Road](#)."

# NAPA 2017

DOMINATING  
CALIFORNIA  
LUXURY+ WINES

CALIFORNIA LUXURY + CHARD/CAB						
SEGMENT	SALES DOLLARS CY	DOLLAR CHANGE	DOLLAR TREND	EQ CASES CY	EQ CASE CHANGE	EQ CASE TREND
SUPER LUXURY \$25.00 PLUS	\$183MM	\$22MM	13.46%	381K	32K	9.24%
LUXURY \$20.00-\$24.99	\$114MM	\$9MM	8.31%	426K	25K	6.20%
<b>TOTAL</b>	<b>\$297MM</b>	<b>\$30MM</b>	<b>11.42%</b>	<b>807K</b>	<b>57K</b>	<b>7.62%</b>

CALIFORNIA LUXURY + CHARD						
SEGMENT	SALES DOLLARS CY	DOLLAR CHANGE	DOLLAR TREND	EQ CASES CY	EQ CASE CHANGE	EQ CASE TREND
SUPER LUXURY \$25.00 PLUS	\$73MM	\$8MM	12.15%	192K	17K	9.78%
LUXURY \$20.00-\$24.99	\$44MM	\$2MM	4.26%	180K	6K	3.73%
<b>TOTAL</b>	<b>\$117MM</b>	<b>\$10MM</b>	<b>9.02%</b>	<b>372K</b>	<b>24K</b>	<b>6.77%</b>

CALIFORNIA LUXURY + CAB						
SEGMENT	SALES DOLLARS CY	DOLLAR CHANGE	DOLLAR TREND	EQ CASES CY	EQ CASE CHANGE	EQ CASE TREND
SUPER LUXURY \$25.00 PLUS	\$110MM	\$14MM	14.34%	189K	15K	8.70%
LUXURY \$20.00-\$24.99	\$70MM	\$7MM	11.03%	245K	18K	8.08%
<b>TOTAL</b>	<b>\$180MM</b>	<b>\$21MM</b>	<b>13.03%</b>	<b>435K</b>	<b>33K</b>	<b>8.35%</b>

FOR ADDITIONAL INFORMATION OR QUESTIONS REGARDING E. & J. GALLO WINERY BRANDS, PLEASE CONTACT YOUR LOCAL SALES REPRESENTATIVE.

1. E&J Gallo Consumer & Product Insights Research, 2015.
2. © IRI, Total US MUL0, 52 weeks ending 07/29/18, Dollar Sales by Label Appellation, Luxury Plus Price Segment.
3. Wines & Vines, Flash Sale Analytics, January 2016-January 2017.
4. 2018 and 2017 Direct to Consumer Wine Shipping Report, Sovos/Ship Compliant and Wines & Vines.
5. Wine & Spirits Magazine, "Restaurant Top 50," April 2018.
6. © IRI, Total US MUL0+ Liquor RMA, LY - 2017 and 52 weeks ending 01/08/2017, Luxury and Super Luxury price segments, Cabernet Sauvignon and Chardonnay varietals, California Origin.
7. E.&J. Gallo Consumer & Product Insights Research, Consumer Wine Trends Survey, December 2015.
8. The Napa Valley Visitor, Visit Napa Valley, 2016, and Economic Impact Quick Facts, Visit Napa Valley, 2014.
9. Nation's Restaurant News, "[MillerPulse: Q2 sales gains boost outlook for year,](#)" July 23, 2018.
10. Nation's Restaurant News, "[MillerPulse: Q2 sales gains boost outlook for year,](#)" July 23, 2018.