



Virginia Wine
Strategic Marketing Plan

2012–2020

Revised

Prepared for the Virginia Wine Board
By the Virginia Wine Board Marketing Office
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Executive Summary

The Virginia Wine Marketing Strategic Plan builds on the objectives outlined in Vision 2015 and provides a template to manage, fund and evaluate activities to achieve these objectives:

1. Improve the quality and uniqueness of Virginia wines.
2. Enhance the image and reputation of Virginia wines and the Virginia wine industry.
3. Increase and expand the market share of Virginia wine sold in state, national and international markets.
4. Improve the profitability of vineyard and wine businesses in Virginia.
5. Maintain and enhance Virginia’s rural character and beauty through the expansion of Virginia’s wine industry.
6. Facilitate the development of complementary supply and service industries for the Virginia wine industry.

This Plan includes a Current Market Analysis, Competitor Analysis, Vision, Marketing Plan and Plan Implementation, all designed to accomplish the above objectives. The section, “Other Critical Activities”, includes important activities that are beyond the scope of the Virginia Wine Marketing Board.

The core of this Plan consists of seven high-level marketing activities and six non-marketing activities. The Virginia Wine Board, with guidance from the industry, will oversee implementation of these activities through a committee structure. The Virginia Wine Marketing Office provides strategic guidance and tactical support to implement the Plan.

Every year the Virginia Wine Board will review the effectiveness of funded activities to ensure that the above objectives are met.

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1. Introduction

The Virginia Wine Strategic Marketing Plan builds on Vision 2015, a strategic plan developed for the Virginia Wine industry in June 2004 by the Governor’s Work Study Group in concert with members of the Virginia wine industry. The Virginia Wine Board, the Virginia Vineyards Association and the Virginia Wineries Association have each approved *Vision 2015*. While this document was written several years ago, many objectives still remain key challenges for the industry.

Today, the Virginia Wine industry has the resources to address major issues that impact the image, sales and profitability of this fast growing segment of Virginia agriculture. The Virginia Wine Strategic Marketing Plan 2012—2020 (hereafter referred to as “Plan”), which builds on Vision 2015, summarizes this renewed strategic effort to move the industry forward.

The Virginia Wine Marketing Offices developed this Plan with significant input from the industry and constituents. The plan is based on knowledge gained from:

- Industry research
- Industry Roundtables in every region of the state
- Distributor Roundtables
- Group discussions with retailers and restaurants
- Survey of Nielsen data
- Survey of consumer trends from the Wine Market Council
- Review of leading travel and industry surveys

The resulting Plan is a working document for the Virginia Wine Board and a guide for making funding decisions to move the industry forward.

Purpose, Scope and Outcomes

Vision 2015 outlined the challenges the Virginia wine industry faces and the objectives needed to address those challenges. This Plan is a practical working document that will direct the activities of the Virginia Wine Board (VWB). The administrative elements of the plan include:

- Annual written review of progress toward objectives
- Working committees of no more than two members of the VWB, plus representatives of the Virginia Wineries Association and the Virginia Vineyards Association
- Periodic reviews from Committees assessing progress in meeting Plan objectives

Overview of Plan

The Plan first describes the modern Virginia wine industry, including environmental analyses, then reviews the broader market, including domestic U.S. wine producers and the international wine market. The document then describes the vision, along with goals and objectives to realize the vision. The Plan provides a consumer analysis of the wine market and considers elements the VWB can employ to achieve the industry’s marketing goals. Last, the Plan recommends techniques for the VWB to monitor implementation of the Plan.

2. Current Market Analysis

For the purposes of this Plan, Virginia wines are products defined by the Virginia Alcoholic Beverage Control as fermented fruit juice. This category includes traditional grape wines, wines made from other fruit and apple cider. Virginia’s wine industry has grown from 120 wineries in 2007 to 191 in 2011. Acreage under vine increased from 2,790 acres in 2007 to 2,950 acres in 2011 and has yielded an estimated crop value for 2010 of \$10.5 million, up from the \$7.8 million in crop value in 2007.¹ Wine production is estimated to be slightly fewer than 400,000 cases in 2011, up approximately 13% from 353,000 in 2007. In 2010, 437,779 cases of Virginia wines were sold.² This translates to an estimated \$98.5 million in wine sales in 2010, up from an estimated \$79.4 million in 2007.³ This consistent growth is due to several factors, including a trend toward small farming and local desire to know where food is grown and processed. These factors, combined with positive trends in U.S. wine consumption, have also created interest in small family-operated farms.

The wine industry in Virginia has been shaped by the commonwealth’s geography, its growing season and its historical, political and cultural relationships to Europe, especially Britain and France. However, the industry’s continued evolution will be dominated by the typical forces of any business enterprise—the demands and desires of consumers, dependence on suppliers, new and evolving competitors such as winemakers outside the commonwealth, and new or evolving products that compete for the typical wine drinker’s attention. To date, these forces have aligned to encourage steady and rapid growth for Virginia winemakers.

Consumer Influences

Virginia wineries today target local consumers and tourists, especially through direct sales, and have benefited directly from the “eat/buy/drink local” movement. A segment of the customer market appreciates artisanal products that reflect the quality of the fruit and skills of the winemaker. Conversely, these small production runs have made it difficult for wineries to price their products at a level to interest distributors to carry and promote wines. Most Virginia wineries are located in scenic settings; tourism has driven much of the growth in Virginia wine. In recent years, as more consumers are aware of the issues with local farming, wineries are seeing a slight improvement on pricing flexibility with regard to farm grown local wines. The Virginia Wine Board will research more formal price tolerance research for the future.

Supplier Influences

In order to use the “Virginia appellation,” wineries in the commonwealth must produce their wines using fruit of which 75% must originate from Virginia. Given the expense of growing high-quality fruit in Virginia, fruit represents a higher percentage of cost per bottle than it does for other competitors and sets a natural minimum price point for Virginia wines. Unlike other wine-producing regions, Virginia does not have an established local supplier network for critical items such as cooperage, glass, vines, vineyard equipment, chemicals or other winery consumables. This means

¹ USDA, National Agricultural Statistics Survey, 2007, *Virginia Commercial Grape Report*.

² Virginia Alcoholic Beverage Control, December 2010, *Farm and Total Wine Sales Report*.

³ Assumes \$225 per case of Virginia wine.

the Virginia wine industry exercises less influence on these suppliers and must “take,” to a large degree, what is available rather than dictating the terms of transactions.

While this will not likely change in the short term, there are several actions that can help mitigate these factors. The Virginia Wine Board has worked to bring the 35 year old, Wineries Unlimited Trade Show, formerly held in PA, to Virginia. The Virginia Wineries Association (VWA) has developed a list of approved suppliers; they are developing a buyers guide for wineries; the VWA Cooperative is in the planning stages, and the VWA is assisting companies that can help the VA wine industry. For example, the VWA met with a French label manufacturer that may set up a distribution center on the East Coast. For such companies, the VWA may serve as a liaison to make introductions with company officials.

Competitive Influences

To date, Virginia has dominated the market for “local” wines in Washington, DC, and nearby portions of the mid-Atlantic seaboard. However, wineries, especially in the southwestern portions of the state, are facing increased competition from a growing wine industry in North Carolina. For Northern Virginia, some wineries are seeing modest competition from Maryland wineries. A more complete competitive analysis is presented below.

Substitute Products

To date, there has been little interest by wine drinkers in other alcoholic beverages. This has meant that the recent economic slowdown has not resulted in wine drinkers’ switching to cheaper beer, wine coolers or the new class of caffeinated alcoholic drinks. In fact, since 2005, wine drinkers of all generations are consuming wine more frequently, including Baby Boomers, Gen-Xers and Millennials. The drinking habits of U.S. adults have changed significantly in the past 10 years, with a dramatic increase in the population of core drinkers, which doubled since the year 2000. Also there has been a significant decline in the number of U.S. adults who drink beer and/or spirits. Equally interesting is the statistic that more respondents than ever associate wine with fun times.⁴

There are literally thousands of wines for consumers to choose from in the marketplace, with great variety at every price point. That said, Virginia wine has shown a steady increase in sales, with the majority of sales from within Virginia. Many sales are from people wanting to support “local” products. As Virginia wines continue to expand to new markets outside Virginia, a more focused branding message will need to resonate with consumers who may not view Virginia products as “local.”

2.1 SWOT Analysis

A SWOT analysis examines the endogenous strengths, weaknesses, opportunities and threats facing an organization, industry or project with respect to achieving a specific set of objectives. This Plan builds upon the SWOT analysis presented in *Vision 2015: A Strategic Direction for the Virginia Wine Industry* and updates the analysis to reflect the current conditions in the industry.

⁴ Wine Market Council, *The U.S. Wine Market Consumer Trends & Analysis*.

Strengths

The strengths of the Virginia wine industry are derived from Virginia's proximity to dense population centers of the Atlantic seaboard as well as the commonwealth's unique competitive advantage in regional tourism. Virginia wineries enjoy beautiful and diverse landscapes, a well-branded tourism industry and significant historical and cultural assets. Virginia's image includes an enduring heritage of hospitality and well-developed tourism industries such as hotels, resorts and restaurants.

Over the last decade, Virginia's wine industry has reached significant maturity milestones. In several regions, the density of wineries has reached a critical mass and this has created market momentum. A solid network of collegial competitors has arisen that reinforces the industry by sharing information and expertise. This positive feedback loop has led to a few "break out" wines that the industry can potentially leverage.

Finally, the Commonwealth has been very supportive of the industry across administrations from both parties. Winery and vineyard operations align favorably with the state's agrarian heritage. Virginia provides funding to support the development of the industry and has generally supported the industry through favorable legislation. The McDonnell administration increased financial support to the industry, even as the state's pool of resources has shrunk.

Weaknesses

While the Virginia wine industry has achieved significant milestones over the last decade, its relative immaturity accounts for a number of its major weaknesses. Immaturity in the industry manifests in the industry's products, operations, financials and supporting industries. In terms of product, the Virginia wine brand suffers from a perceived inconsistency in product quality, specifically, the perception that the industry produces too few high-quality wines and, more generally, produces wine of inconsistent quality from year to year and winery to winery.⁵

The immaturity of winery operations and supporting industries is visible through the lack of locally available training and expertise to support winemakers and viticulturists. Virginia wineries compete with each other for these resources, but also compete with other U.S. and international wineries. Because of Virginia's reputation as a wine region, these resources are not completely fungible and require the industry to continue specific investments to identify and promulgate industry best practices for Virginia. Additionally, suppliers to the industry have not yet built significant presence within the local market. Wineries and vineyards must still rely heavily on out-of-state suppliers or manufacturers of bottles, closures, tanks and vessels, and laboratory and testing equipment.^{5,6}

Finally, the industry has been hampered by the relative immaturity of financial resources and expertise. In the recent past, the industry was able to self-fund common needs such as strong enology and viticulture programs within the commonwealth, training programs, specialized research and cooperative marketing programs. Unlike other agricultural industries, the Virginia wine industry has not established mechanisms to overcome inefficiencies of scale, such as cooperatives, credit unions, etc. This increases the costs of goods sold and forces wineries to price

⁵ MKF Research, *Assessment of the Profitability & Viability of Virginia Wineries*.

⁶ Virginia Wine Board Marketing Office Regional Roundtable from Virginia Wineries.

their products higher to maintain margin, or forgo opportunities to expand because of the capital-intensive investments.

Opportunities

Due to its youth, the Virginia wine industry continues to exhibit a flexibility that will continue to provide significant opportunities. The industry is still seeking out the appropriate varietals and winemaking styles that will define the Virginia wine niche. Modest successes and incremental growth in this environment can pay disproportionate benefits to the emerging industry. The political environment in Richmond and recent rulings by the U.S. Supreme Court provide significant supply chain opportunities to Virginia wineries including direct sales.

Threats

The industry must monitor and address a number of threats to be more than a marginal component of the overall U.S. and international wine markets. The U.S. wine consumer can purchase good-quality wines at compelling price points from a number of suppliers, both domestic and international. Wines from California, Washington State and internationally from Europe, Australia, New Zealand and especially South America compete on price and volumes that are not realistic for the Virginia industry. In broadest terms, the Virginia wine industry is most similar to, and thus most potentially competitive with, Oregon, which has executed a successful strategy based on limited varietals with consistently good product. Locally, Virginia is facing growing competition from upstart industries in Maryland and North Carolina, which share many of Virginia's regional advantages.

Internationally, it has been suggested that Austria's wine industry is very similar to Virginia's in that both regions are very small, have small producers making wines from lesser-known grape varieties. Due to the economies of scale, both regions have higher priced wines and are known for stunning locations and a strong history and story. This information is relatively recent at this writing and we will be researching this analysis in the coming months. Austria has grown their wine industry by bringing influential wine buyers and writers to the country and entertaining them."

2.2 PEST Analysis

A Political, Economic, Societal and Technical (PEST) Analysis examines the macro-environmental (exogenous) forces that shape and influence an industry. Complementary to a SWOT analysis, the PEST analysis provides the background and context for the strategy, activities and marketing components provided later in this document.

Political and Legal Environmental Factors

The Virginia wine industry currently enjoys a very favorable political environment at the state level. The current administration of Governor McDonnell has strongly endorsed the Virginia wine industry and made its growth a priority during his term. The industry, along with tourism and filmmaking, also receives strong advocacy from the First Lady. The Virginia Department of Agriculture and Consumer Services, with Secretary Haymore at the helm, strongly advocates on behalf of the industry and provides resources and marketing support from the agency level. The Virginia General Assembly has also been very supportive in terms of allocating resources to the Virginia Wine Board, tripling the amount of promotional funding in the last two years, as well as

incentivizing growth through its legislative agenda. Most recently, the Virginia House of Delegates unanimously passed a bill extending a tax credit for the expansion of wineries and vineyards. Additionally, Virginia is known across the country as one of the top states to start or grow a business, because it strives to remove impediments to business development by keeping taxes and regulatory burdens low. All these factors have contributed to stimulating investment in the capital-intensive but fast-growing Virginia wine industry.

Separately, Virginia Tourism Corporation (VTC) has also embraced Virginia wineries as a key anchor product for its culinary travel marketing. With Virginia Tourism helping out with public relations and advertising, the Virginia wine industry has been able to create some national presence in travel magazines, since it is becoming an up-and-coming wine travel destination. This was solidified in 2007 when *Travel + Leisure* magazine ranked Virginia one of the top up-and-coming wine travel destinations and the only region to make the list from North America. Virginia Tourism has also helped with major marketing initiatives such as October Virginia Wine Month and Love By The Glass Virginia Wine Week.

The political and legal environment at the local government level has been more complicated, but largely favorable. Wineries and vineyards have encountered impediments from several local governments, especially pertaining to zoning and other local permitting issues, such as direct-to-consumer sales. Recent legislation from the General Assembly has clarified the conflicting responsibilities of local governments vis-à-vis the state in order to provide a more uniform legal environment across the commonwealth. The General Assembly has also recently enacted legislation to allow Virginia agricultural cooperatives the ability to sell and ship Virginia wines directly to consumers. At this time no such cooperatives have taken advantage of this opportunity, but at least two organizations are in the initial stages of development. The industry has also been affected by a number of recent court rulings. Most importantly, the U.S. Supreme Court ruled in favor of the industry on questions of interstate distribution.

Economic Environmental Factors

The economic environment for the United States has been generally unfavorable since 2008, when the country slid into a recession. The economic crisis in 2008 centered on banks and the financial industry, but has resulted in high unemployment rate. The crisis has particularly distressed small businesses by slowing or stopping the flow of loans and cash for both new investments and working capital purposes.

Because of the long production timeline for wine and the unpredictability of harvests, vineyards and wineries are particularly sensitive to cash flow issues, as well as requiring higher initial capital investments. The overall economic environment has placed pricing pressures on the wine industry in general, while the broader global economic reemergence has led to significantly higher costs for energy, fertilizers and other raw materials.

Fortunately, the Virginia wine industry has not experienced the “trade down” effects of the economic slowdown as witnessed in other consumer products categories or even other segments of the wine category. Virginia wine sales continued to grow through the economic crisis and the state has added 56 wineries since 2008. Similar to beer and coffee markets, the wine industry

sales have shifted to less expensive wines rather than generally cheaper alternatives such as beer or malt liquor drinks. This trend has had more effect on wines costing more than \$20 per bottle than on wines priced less than that, and that market is slowly starting to pick up again as the U.S. climbs out of the recession.⁷

Also as an advantage to Virginia wineries, people have been travelling closer to home and taking shorter trips instead of flying to more lavish vacations and that trend has greatly benefited Virginia wineries. Virginia is within a day's drive of two-thirds of the U.S. population. In fact, the term "staycation" was invented to capture this trend.

Societal and Cultural Environmental Factors

The U.S. market for wine shifted dramatically in the opening decade of the millennium. Most significantly, for those consumers who drink wine, the percentage of drinkers who considered wine their core alcoholic beverage increased from 40% in the late 1990s to 60% today, according to recent data from the Wine Market Council, based in St. Helena, California. This "trade up" from beer and other alcoholic beverages has not been reversed by the economic recession.

This swing may be attributable to a number of larger social movements, including consumers' shift to "premium" and "luxury" goods over the last decade. It has been further bolstered by the generally stronger preference of the Millennial generation (those born between 1977 and 1989) for wine over both beer and liquor/mixed drinks. Wine is also perceived to be healthier than other alcoholic beverages.

The Virginia wine industry is also the beneficiary of the growing "eat local" movement, which generally emphasizes the environmental and economic benefits of choosing regionally and locally produced food and beverages. Called localvores, adherents to the "eat local" movement believe that the reduced transportation time and costs of local meats, dairy and produce mean fresher, higher-quality food that is more sustainable from the perspective of a community's environment and economy. Localvores tend to be less price-conscious than other consumers.

Technological Environmental Factors

The Virginia wine industry benefits from changes in enological and viticultural technologies introduced by the broader industry, as well as targeted research specific to the challenges inherent to Virginia. Currently, key agricultural technology changes have centered around reducing environmental damages from farming activities; reacting to the increased costs and environmental impact of energy and other supplies such as fertilizers, pesticides, herbicides and plastics; and improving crop yields and quality.

These changes are less significant for viticulture than for other agrarian activities. However, some wine producers, especially wineries in Oregon, have capitalized on the rise of the organic and green movements to differentiate their product in the broader market. Organic wines can be cheaper to produce in areas such as Oregon, and enjoy a premium price on the shelf, leading to higher margins. Organic wines are not an option for Virginia vineyards, where the heat and moisture put disease and pest pressures on the vines.

⁷ Nielsen, *US Wine Consumer Trends Macro Perspective With a Micro Lens*, January 2011.

From the retail perspective, technology has now provided the winemaker with additional options for packaging. For the traditional glass bottle, alternatives to the traditional cork include agglomerated cork closures, synthetic (plastic) corks and screw tops. Other packaging options now include plastic bottles and boxes with plastic bag inserts.

2.3 Collaborator Analysis

To successfully implement the strategic plan, the industry must collaborate with related industries, forging business relationships and transactions that positively support the goals of the Virginia wine industry. It is critical to identify these industry partners, and understand their business models and objectives, to ensure that industry interactions are appropriately tailored.

Distributors - On July 1, 2006, Virginia wineries lost the right to self-distribute and must now leverage the three-tier distribution system for indirect sales. The three-tier distribution system consists of wineries selling through a wholesaler to a retailer or restaurant. When selling through the three-tier system, wineries typically sell their wines to a distributor for 50% of the price at which the retailer offers the wine.⁵

The role of the distributor is to broker sales between retailers and producers and to provide physical delivery of the product. The distributor helps individual wineries by reaching the large number of retailers that would like to carry the product. The distributor also helps retailers by aggregating products from the various producers, simplifying the movement of products from producers to sellers. The distributor takes on the risk of owning wine or other products that may not sell.

Most Virginia wineries struggle to reach the wholesale price points that distributors feel they need to sell Virginia wines. Distributors in general believe that Virginia wines tend to be too high for their price-to-quality ratio, and that most Virginia wineries do not understand the real cost to distribute their products in the marketplace, nor do they understand the role of the distributor. When selling through the three-tier system, the responsibility for managing the wine brand and creating demand for a specific wine product remains with the winery.

Distributors noted that the psychology of buying a wine at a winery is different from that of buying off a retail shelf (pricing, packaging, emotional decision making, etc.). Wineries have little competition at the winery when selling their wines; however that is not the case once their wines are in the trade with over 20,000+ SKUs in the marketplace. Distributors also noted that wineries do not understand varietal management (meaning wineries sell too many labels to the trade). Some distributors also note that many wineries have an inflated view of their price-to-value ratio in comparison to competitors.

Because of the relatively small size of operations in Virginia, vineyards and wineries do not reach economies of scale, making wine and grape production in Virginia more costly. With Virginia grapes costing on average \$1,700 a ton⁸ versus in California where the fruit is roughly \$500 a ton, it is nearly impossible to structure wholesale and retail prices in line with high-volume national and

⁸ USDA, National Agricultural Services Survey, *Noncitrus Fruits and Nuts Preliminary Summary*.

international producers. The pricing of Virginia wines continues to be an issue with distributors, despite the increasing quality and continues to factor in Virginia wineries' utilization of the wholesale system at large.

To address winery concerns about distribution, the Virginia Department of Agriculture and Consumer Services in April 2008 launched the Virginia Wine Distribution Company (VWDC), a virtual distribution company that allows Virginia wineries to self-distribute up to 3,000 cases. The VWDC is a viable distribution option for smaller production wineries. Larger production wineries are reliant on outside distributors because of limits to the amount of product sold and types of consumers they can reach through their tasting rooms.

In addition, to help facilitate communications between Virginia wineries and wholesalers the Virginia Wine Board will develop a manual to help Virginia wineries understand the role of distributors and what is reasonable to expect from a distributor and their role in assisting wineries with selling Virginia wines. More work is needed in this arena to build the communications between these important market channels.

Wine Shops, Chain Stores and Restaurants - Wine shops, chain stores and restaurants represent a significant channel for Virginia wine sales. These partners represented 42.3% (185,064 cases) of total Virginia wine sales in 2010 and 43.5% (173,773 cases) of Virginia wine sales in 2009. Indirect sales of Virginia wines have grown 6.5% from 2009 to 2010.² As the industry grows, these outlets will have more potential to grow as an important channel to move product.

Wineries producing 5,000 cases and more annually have greater need to build distribution outside the traditional tasting room. Restaurants, chain stores and wine shops can provide access to new sales channels and new consumers to move higher product volumes. These partners also increase the exposure of core wine drinkers to Virginia's wines. For instance, respondents in a wine selection survey indicated their most important factor for wine choices at a restaurant or retailer was having had a previous tasting experience with the wine. Nearly 72% of core drinkers cited previous trial as a primary decision-making factor.⁴ Access to these partners is accomplished through the three-tier distribution system, or the VWDC.

Tourism - Tourism plays a vital role in supporting the economic health of Virginia wineries. The money spent by travelers in Virginia has an immediate impact on the local economy, making tourism a proven instant revenue generator that brings substantial financial benefit to the commonwealth. Tourists account for 68% of on-premise winery sales for wineries that sell less than 5,000 cases annually.⁹

The wine industry nationwide is the fastest-growing sector of agricultural tourism.¹⁰ Winery and culinary travel is a growing product for tourism destinations, with more than a million tourists incorporating a Virginia winery into their visit in 2007.¹¹ Leveraging key partnerships through cross-promotional activities with the Virginia Tourism Office, statewide convention and visitor bureaus

⁹ Bruce Zoecklein, 2009, *Winery Tasting Room Design and On-Site Marketing*.

¹⁰ MKF Research, 2005, *Economic Impact of Virginia Grapes and Wine*.

¹¹ Virginia Tourism Corporation, 2007, *Wine Travel Profile Report*.

and tourist attractions such as Monticello, Heartwood and Mount Vernon can positively support increased winery tourism.

Hospitality - Hospitality is the fifth-largest sector of the economy in Virginia.¹² The spending by domestic travelers accounted for nearly \$5.2 billion in the foodservice industry and \$3.5 billion in the lodging industry.¹³ Because of the synergies between hospitality, tourism and the wine industry, collaborating with various hospitality associations, such as the Virginia Hospitality and Tourism Association and the Restaurant Association Metropolitan Washington, and with statewide lodging facilities, such as resorts and B&Bs, can pay dividends for the Virginia wine industry.

Festival Operators – This is an important sector for selling Virginia wines. The Virginia Wine Board is moving forward with talking to important festival operators to gather input for this sector as a new collaborator segment for the Virginia wine industry.

3. Competitor Analysis

The Virginia wine industry faces mature and maturing competition from domestic and international winemakers and vineyards. The marketing strategy and activities have been developed with an understanding of the value propositions both established members and new entrants pose to a potential wine consumer. While the Virginia industry produces both wines and ciders, for the purposes of this analysis, competitors are based solely on the wine segment.

3.1 United States

According to the U.S. Treasury, the United States commercially produced more than 711 million gallons of still wine¹⁴ and 22 million gallons of sparkling wines in 2009. According to the U.S. Department of Commerce¹⁵, the value of shipments of the U.S. wine and brandy industry (NAICS 31213) reached an estimated \$12.3 billion and employed 33,319, of which 14,863 were production workers, with a total payroll of \$1.4 billion. The Commerce Department estimates that 2009 total U.S. industry shipments for NIACS 31213 reached \$13.4 billion and employed 34,420.

There are approximately 23,000 farms in the U.S. that grow grapes, of which 91.5% are on plots of less than 100 acres. Of these 23,000 farms, it is estimated that 14,000 to 16,000 are vineyards. In 2009, while total U.S. grape-bearing acres rose a modest 0.7% from 2008 to 940,900 acres, total grape production fell a modest 0.3% to 7.29 million tons. About 60% of total grape production was wine grape production and that portion rose 10.9% from 2008 to 4.37 million tons in 2009.

¹² Virginia Hospitality Trade Association, VHTA.org.

¹³ Virginia Tourism Corporation, 2009, *The Economic Impact of Domestic Traveler Expenditures on Virginia Counties*.

¹⁴ Alcohol and Tobacco Tax and Trade Bureau (TTB), 2009, *Statistical Report – Wine; Includes Cider Production in Still Wine*.

¹⁵ U.S. Department of Commerce, 2007, *Census of Manufacturers*.

Between 1999 and 2009, the number of wineries increased dramatically from 2,688 to 6,668, an annual compound growth rate of 10%. California wineries accounted for 44% of total U.S. wineries and 89% of total domestic wine production.¹⁶

California - California is the leader in U.S. grape and wine production, accounts for 89% of all U.S. wine grape production and has 480,000 acres under vine, with 3.3 million tons of fruit produced into wine. In 2009 the state had 2,972 bonded wineries. In 2010 California wines represented 61% of the U.S. market share of wine sales. The average price for a ton of wine grapes for California was \$602 for 2010.^{16,8}

California has many large mass wine producers and well-established winery brands. Chardonnay and Cabernet Sauvignon are the two main varietals produced in the state, although it has a depth of varietals that they grow and produce. The concentration of wineries, the length of time that they have been building the industry, and the depth and breadth of their product offerings create a massive brand image that is hard to even define but evokes a positive image nonetheless.

Washington - Washington is the second-largest U.S. producer of wine, with more than 700 wineries and 40,000 acres of grapes under vine. In 2009 the Washington wine grape production totaled 156,000 tons, a record-high level. Their largest plantings include Chardonnay, Riesling, Cabernet Sauvignon and Merlot. These top four varieties represent three-quarters of total wine production for the state. With the exception of the top several producers, most of the wineries are small boutique wineries producing less than 1,200 cases of wine a year. The average price for a ton of wine grapes for 2010 was \$1,040.

New York - Of New York's total grape harvest (130,000 tons), only one-third was wine grape production (44,000) in 2009. The farm gate value of these wine grapes was approximately \$23 million. More than 60% of total grape production was destined for juice manufacturers. As of 2009 New York had 240 wineries. 83% of New York's wine production comes from vitis lambrusca varieties of grapes, mostly Concord. The remainder of the fruit is split equally between vitis vinifera and French hybrids. Top varietals include Concord, Riesling, Chardonnay and Cabernet Sauvignon. These contribute to the average price of wine grapes for 2010 of \$389 per ton.

Oregon - In 2009 Oregon had 387 wineries and 15,600 acres of vineyards. The state produced 40,200 tons of fruit in 2009. The breakout of wine production included Pinot Noir at 55%, Pinot Gris at 20%, Chardonnay at 5.7% and Riesling at 3.7%. The average price per ton of fruit for Oregon wine grapes was \$1,910. It is interesting to note that this is the highest average price per ton for wine grapes of all states.

Maryland - Maryland had 50 wineries in 2010 and 450 acres of vineyards. Their Maryland wine sales were 130,000 cases for 2010. While this state's wine industry has been impeded by rigid wine shipping laws that made it a felony to ship or receive wine, Maryland's shipping laws have changed within recent months with it now being legal to ship and receive wines. The state's climate and soil are very similar to Virginia's and could be very competitive with some state support.¹⁷

¹⁶ U.S. Department of Commerce, 2009, *U.S. Wine Industry Report*.

¹⁷ Maryland Wineries Association, <http://www.marylandwine.com>.

North Carolina - North Carolina has more than 100 wineries with 1,700 acres of grapevines. The industry is divided into two main focuses: native grape wines made from scuppernong fruit and *vitis vinifera* fruit similar to what is grown in Virginia. The state processed 5,200 tons of fruit in 2010, with an average price per ton of \$922. The farm gate value of the wine grapes was \$4.5 million in 2010. The North Carolina climate is also similar to that of Virginia. While North Carolina is behind Virginia in terms of the progress of their wine industry, they are growing and offer real competition to wineries in the southwestern portion of Virginia where consumers have to drive past many North Carolina wineries to reach Virginia wineries. In addition, there are several wineries that are making good progress in competing for the “local” wines category in stores in the mid-Atlantic region.

Texas - Texas, of all states, is the most similar in size and scope to Virginia. According to the Texas Wine and Grape Growers Association, Texas now has 220 wineries and 3,000 acres of grapevines. They are growing fast and furiously and are developing a reputation for quality wines. In 2010 Texas produced 8,900 tons of wine grapes with a price per ton of \$1,250. The farm gate value of their grapes was \$10.6 million dollars.

Other States - Every state in the U.S. has at least one winery and produces wines. Other notable wine-producing states include Ohio, Michigan, Arizona, Colorado, New Mexico, Missouri and New Jersey. These wine-producing states also have small farms producing local wines. They are not widely distributed, with a few exceptions, but it is important to note that wines are being produced in every state.

3.2 Global Wine

The global wine industry has experienced significant change in the last two decades, with the remarkable growth of wines from South America, the United States, and Oceania competing successfully on price and quality with established wine producers in Europe. According to the United Nations Food and Agriculture Organization,¹⁸ global commercial production of wine was 26.9 million tons in 2008, up only 500,000 tons from 1998. Preliminary data shows worldwide wine production was 27.1 million tons in 2009.

The primary regions for wine production around the globe are Europe, especially the southern and western regions of the continent; South America, in the deserts along Andes mountain ranges; the Australian (Oceania) continent; South Africa; and the United States. Europe generally produces “Old World”-style wines, while the United States, South America, Oceania and South Africa generally produce “New World”-style wines.

Europe - Europe produces more than 17.2 million tons of wine per year, with the majority produced by Italy (4.6 million tons), France (4.1 million tons), Spain (3.5 million tons) and Germany (1.0 million tons), with smaller contributions from Portugal, Romania and Russia (approximately half a million tons each per year). Greece, Hungary, Austria, Bulgaria and the Ukraine each have stable but relatively small industries. European wines generally fit the Old World wine styles that

¹⁸ United Nations, *Food and Agriculture Organization, Online Statistics Database*, <http://faostat.fao.org/site/567/default.aspx>.

result from fruit grown in the more moderate climates of Europe. Because of a focus on the terroir of the vineyard instead of the fruit, warm fermentation and extended maceration, these wines are generally less alcoholic, drier, less fruit forward, with increased structural (tannin) complexity and more subtle tasting notes that favor extended bottle aging.

South America - Relatively new to market, the South American wine industry produces 2.8 million tons of wine per year. Argentina (1.6 million tons) and Chile (0.8 million tons) have significant presences on the international markets, with Brazil (368,000 tons) and Uruguay (100,000 tons) producing primarily for local markets. Wines exported from South America are generally in the New World style, using fruit grown in more intensely and technologically managed vineyards located in near desert-like conditions. The heat and irrigation systems employed produce fruit with higher sugar and less acidity.

Oceania - Australia produces more than 1.2 million tons of wine per year and has established a strong presence on the international markets. New Zealand, a much newer entrant, produces only 205,000 tons of wine per year. Like Australian wines, New Zealand's wines are generally produced in the New World style with fruit grown in desert-like conditions. The heat and irrigation systems employed produce fruit with higher sugar and less acidity.

South Africa - South Africa enjoyed years of success producing wines for local and international consumption from the mid-1600s to the mid-1800s when phylloxera destroyed the vineyards. It has only reemerged internationally since the end of apartheid, when the remaining growers adapted their vineyards and winemaking techniques to global practices. South Africa produces about 1 million tons of wine per year, predominantly in the New World style with fruit grown, with some exceptions, in near desert-like conditions. Like Australia, the heat and irrigation systems produce fruit with higher sugar and less acidity.

4. Vision

The *Vision 2015: A Strategic Direction for the Virginia Wine Industry* document, as accepted by the Virginia Wine Board, established the following vision for the industry, with supporting mission statement and objectives.

Vision: *“By the Year 2015 the Virginia wine industry will double its market share within the Commonwealth and reach measurable sales on a national level.” We are extending that timeframe to 2020 in our planning purposes in this document.*

Mission: *“An industry unified in its commitment to innovation and quality resulting in the production of world class wines in Virginia.”*

The goal for the industry is to maintain and enhance the economic viability of the Virginia wine industry while (1) improving the quality and uniqueness of its products; (2) enhancing its image and reputation with local, national and worldwide consumers; (3) expanding the share of Virginia wine

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and ciders in the local, national and worldwide market; (4) improving the profitability of the industry; and (5) maintaining the rural character and beauty of the Virginia landscape.

	Objective	Measures of Success
1	Improve quality and uniqueness of Virginia wine	<ul style="list-style-type: none"> • Minimum 10 favorable reviews by premier national media by 2020 • 100% growth in sales of Virginia wines from the 2010 baseline by 2020 • Minimum of 5 listings / recommended buys by 2020 • Have established quality assurance program in place either through a private trade association and/or Virginia Tech enology program.
2	Enhance the image and reputation of Virginia wine	<ul style="list-style-type: none"> • Minimum 10 favorable reviews by premier national media by 2020 • Benchmark and then increase by 10% favorable reviews by consumers of Virginia wines by 2020
3	Expand the market share of Virginia wine	<ul style="list-style-type: none"> • 100% increase of Virginia wine sales by 2020 based on 2010 baseline • Establish a method for measurement of Virginia wine sales outside of Virginia by 2015 • 20% increase in sales of Virginia wine in the national market based on the initial baseline measurement
4	Improve the profitability of the Virginia wine industry and its contributions to Virginia	<ul style="list-style-type: none"> • Measurable increase in the profitability of existing vineyards and wineries by 2020 based on the initial baseline • 50% increase in new vineyards choosing to establish vineyards in Virginia by 2020 • Continue the positive trend of increased number of wineries in Virginia
5	Maintain the rural character of the Virginia landscape through expansion of Virginia's wine industry	<ul style="list-style-type: none"> • Expand the number of wineries and vineyards using the tax credit • Benchmark and then increase by 20% the number of localities that have favorable policies toward wineries and vineyards

5. Marketing Plan

The marketing plan consists of two major components: the market segmentation, which enumerates the types and numbers of consumers (segments) targeted for marketing activities, and the marketing element, which lists the specific high-level activities to be undertaken to achieve the market penetration goals for each market segment. Marketing elements are traceable to both the goals and objectives of the marketing plan as established in the Section 4, Vision as well as one or more market segments. Traceability, along with target performance measures, helps the Virginia Wine Board oversee the effectiveness of the resources it dedicates to this plan.

5.1 Market Segmentation

The market is broken out in several ways: by wine-drinking habits, by age and by geography. The major segments of the market for this strategic plan targets are:

Segmentation by Wine-Drinking Habits:

Approximately 34% of the American public drink wine. The other 26% of Americans prefer to drink other alcoholic beverages and 39% do not drink alcohol.⁴

- **Core Drinkers** - 20% of the U.S. population are core wine drinkers, who consume 92% of wine drank in the U.S. This group consumes wine at least once a week. Approximately 37% of this segment are Boomers, 21% are Millennials and 21% are Gen Xers. They are more educated than other segments and have average household incomes of \$67,000. While there are many subgroups in this group, it's important to recognize that consumers who are already comfortable buying wine and experimenting with wine are primary targets.
- **Marginal Consumers** - This is the remaining 14% of U.S. population who are wine drinkers. This group drinks wine on average two to three times per month or less but at least once every two to three months. The majority of this group is mid-40s or older: 39% are Boomers and 24% are over the age of 64. The average household income is \$57,700.

Wine Drinkers by Age⁴

- **Baby Boomers** - Baby Boomers, 77 million strong, drove the wine boom in the 1970s and early 1980s and today represent the largest segment of the core wine-consuming population, at 37% of core wine drinkers.
- **Generation Xers** - Generation X adults are now mostly in their 30s and 40s. They represent 50 million consumers and are finally taking to wine in significant numbers. Wine is perceived to be part of a healthy lifestyle and Gen Xers who used to drink other drinks are switching to wine as a healthy change of lifestyle.

- **Millennials / Generation Y** - The Millennial Generation represents 70 million consumers (note, there are currently 20 million Millennials under the age of 21), has been called the future of the wine industry and will soon be the largest group of wine consumers in the world. This group is choosing to drink wine instead of beer or mixed beverages. A higher proportion of Millennial adults (born between 1977 and 1988) have become core wine drinkers. More than half (51%) of Millennial men are core wine drinkers. Millennials see themselves as more technically inclined than their older counterparts. They are more open to differences and to trying new things. These traits translate into opportunity for the wine industry.

This age group has taken to wine drinking similarly to the way Baby Boomers did in the 1970s. They are drawn to more casual, unpretentious brand personalities and place less weight on wine appellations. Fun is an aspect that appeals to this crowd. It also helps that there are more than 70 million Millennials compared to 77 million Boomers and 44 million Gen Xers.

Wine Drinkers By Geography

Virginia, Maryland, Washington, DC, and North Carolina are obvious targets for promoting Virginia wines. Until the industry has hit saturation in these areas, there are significant opportunities to grow Virginia wine sales in these areas first.

The Virginia Wine Board identified other major targets and the list follows below:

State Targets in Order of Priority

- Virginia
- Washington DC
- Maryland
- North Carolina
- New York
- Florida
- Illinois
- Pennsylvania
- Ohio
- Delaware

International

- London
- Hong Kong

Indirect Sales (Distributors, restaurants and wine shops)

For wineries that produce 5,000 cases or more and for wineries that plan to sell wines through other mediums than their tasting room, indirect sales are an important component of their plan. Currently 42% of Virginia² wines are sold through indirect venues. As the industry gets bigger this percentage will probably grow, since it will be harder for wineries to sell the majority of their wines directly through their tasting rooms, festivals and wine clubs.

Direct Wine Sales

For wineries that produce 5,000 cases of wine or less, direct sales are vitally important for financial viability. With Virginia's strong tourism base and large concentration of wineries, winery tourism has become increasingly popular. Each visitor to Virginia is a potential winery visitor. In addition, state residents are finding visiting wineries to be a popular weekend activity. This is supported by the finding that culinary travel is a growing segment of travel in the U.S.¹⁹ Continuing efforts to build traffic to wineries will remain a primary marketing tool to aid small wineries.

5.2 Marketing Plan Elements

The following marketing plan elements have been selected for their alignment with the goals and objectives of this overall plan, as well as their relevancy to the specific market segments listed above. Each element is listed with a description of the activities that compose the element, along with the element's priority, performance measure, goal, proposed nominal resource allocation and dependencies.

Each element's priority reflects the relative importance of the element for achieving the goals of this strategy, or for achieving milestones necessary for other activities necessary for this strategy. The performance measure(s) indicates the proposed method for the board to monitor the progress of the element; the associated goal is the proposed target measurement that indicates success or completion of the element. Where appropriate, each element includes a proposed resource allocation, either in terms of a percentage of the overall budget associated with this plan or the other resources such as people and nonmonetary assets that are likely to be needed to execute the element. Finally, any known prerequisites, such as other activities or events, are listed as dependencies.

1. **Integrated Marketing Program for the Virginia Wine Brand** - Continue to implement a fully integrated marketing program focused on building a strong brand message for Virginia wines through advertising, public relations and promotions to deliver a clear and positive message on the quality of Virginia wines. Mature the direct-to-consumer marketing program to augment standard advertising channels to include social media marketing activities.
 - **Priority:** – Very high
 - **Objective:** 2
 - **Performance Measure:** Increase in favorable reviews of Virginia wines by consumers **Target:** Increase 10%
 - **Resource Allocation:** To be determined
 - **Dependencies:** Quality Certification Program

2. **Virginia Wine Guide** - Continue to develop and publish the Virginia Wine Guide on an annual basis.
 - **Priority:** Very High
 - **Objective:** 2 & 3
 - **Performance Measure:** Increase in the sales of Virginia wines **Target:** 100% from 2004 Baseline

¹⁹ Travel Institute of America, *The Profile for Culinary Travel*.

- **Performance Measure:** Increase in the profitability of existing Virginia vineyards and wineries **Target:** 20% from 2004 Baseline
 - **Resource Allocation:** To be determined
- 3. Virginia Wine Industry Data Collection Program** - To support the ongoing monitoring and assessment of the health of the Virginia wine industry, establish a voluntary industry reporting program and limited-access database to measure the key performance measures vital to effective oversight by the VWB. The industry data needed to support the VWB includes, but is not limited to, aggregate vineyard and winery financial information, supplier and supply chain measures, distributors and sales channel measures, and consumer demographic information.
- **Priority:** High
 - **Objective:** All Objectives
 - **Performance Measure:** % of wineries voluntarily reporting **Target:** 85%
 - **Performance Measure:** Perceived quality of reported data **Target:** High
 - **Resource Allocation:** To be determined
 - **Dependencies:** VWB consensus on key performance metrics
- 4. Regional Marketing Program** - Establish variations of existing and planned marketing campaigns for the designated wine regions tailored for the region's unique needs and market conditions. Coordinate and support regional marketing activities with statewide efforts where possible.
- **Priority:** High
 - **Objective:** Depending on the region, supports Objectives 2, 3, & 4
 - **Performance Measure:** Increase favorable reviews of Virginia wine **Target:** 10%
 - **Performance Measure:** Increase Virginia wine sales **Target:** 20%
 - **Performance Measure:** Increase Virginia winery profitability **Target:** 10%
 - **Resource Allocation:** To be determined
 - **Dependencies:** Restaurant, Distributor and Retailer Marketing Program; Integrated Marketing Program for the Virginia Wine Brand; Mobile Marketing Platform; Social Media Marketing Program
- 5. Eat Local / Drink Local Marketing Program** - Establish a multiyear marketing campaign that emphasizes the availability, affordability and quality of Virginia wines to the major components of the buy/eat/drink local social movement. Beyond the efforts under the Restaurant, Distributor and Retailer Marketing Program, this program should emphasize establishing direct relationships between wineries and high-profile localvore restaurants, retailers and consumers.
- **Priority:** Medium
 - **Objective:** 2, 3 & 4
 - **Performance Measure:** Increase the percentage of localvore establishments promoting Virginia wines from benchmarks established in 2011 **Target:** 100%
 - **Resource Allocation:** To be determined

- **Dependencies:** Restaurant, Distributor and Retailer Marketing Program; Integrated Marketing Program for the Virginia Wine Brand
- 6. Mobile Marketing Program** - Initiate and develop a multiyear effort to adapt the Virginia wine marketing assets to the increasingly important mobile device platform. Identify and implement new marketing opportunities including mass-customization marketing based on the evolving mobile marketing channels.
- **Priority:** Medium
 - **Objective:** 3 & 4
 - **Performance Measure:** Percentage of Virginia wine campaigns that are mobile-enabled **Target:** 100% by 2012²⁰
 - **Resource Allocation:** To be determined
 - **Dependencies:** Integrated Marketing Program for the Virginia Wine Brand; Social Media Marketing Program
- 7. Restaurant, Distributor and Retailer Marketing Program** - Grow participation in Virginia wine marketing activities by conducting ongoing outreach to restaurants, distributors and retailers that encourages these channels to provide Virginia wine as a high-visibility component of their operations.
- **Priority:** High
 - **Objective:** 3 & 4
 - **Performance Measure:** Increase in number of restaurants/distributors/retailers carrying Virginia wine products from 2011 baseline **Target:** 75% by 2015
 - **Resource Allocation:** To be determined
 - **Dependencies:** Integrated Marketing Program for the Virginia Wine Brand

6. Plan Implementation

Realizing the goals and objectives outlined in *Virginia Wine Strategic Marketing Plan 2011-2020* will require activities outside the traditional scope of a strategic marketing plan and of the Virginia Wine Board Marketing Office. The Virginia Wine Board can provide leadership in organizing the Virginia wine industry to work together as a united team in reviewing and executing the overall plan. Part of this process includes establishing or designating the appropriate agents to execute these non-marketing activities and provide the forum for these agents to monitor and guide the industry objectives, resources and constraints along with appropriate responsibilities and authorities.

²⁰Once the program is established, the Virginia Wine Board Marketing Office will work with the VWB to establish a mobile marketing baseline and future performance targets.

6.1 Governance and Oversight

To manage and coordinate these efforts across the industry, the board will initiate and perform the appropriate oversight and governance functions to gain industry buy-in on the strategy and activities; periodically review the progress the industry is making toward the goals and objectives; and preempt, reprioritize, repurpose or reassign activities and resources from initiatives as needed. The oversight and governance responsibilities of the board must be supported by objective processes and information around performance and risk management.

As the industry's leader for the *Virginia Wine Strategic Marketing Plan 2011-2020*, the Virginia Wine Board has the primary responsibility of executive-level oversight and governance for the implementation of this plan. The board can provide leadership, guidance, resources to the process. To provide effective oversight and governance, the board will require data-driven monitoring and decision-making processes to ensure fair, equitable, effective and efficient activities.

For each initiative found in Section 5.2 or Section 7, the board can establish a committee, can appoint volunteer members from industry to staff and can lead the initiative. The board can request specific, well-defined work products for each initiative and will provide the assigned committee adequate resources and expected completion dates for each work product. Committees will report their status to the board on assigned initiatives on a quarterly basis. Status will include progress toward completion of each work product and usage of allocated resources. Initiatives that are not progressing will be reviewed by the board and the committees that represent all Virginia wine industry trade associations to work together to monitor and develop time frames, reallocation of resources or termination of programs to accomplish *Virginia Wine Strategic Marketing Plan 2011-2020*.

Resource allocations across these initiatives can be made by the board with input from its respective committees that include wide industry input. After consideration of its priorities, the board can allocate resources available based on the needs of industry and can delay to subsequent fiscal years initiatives that cannot be adequately funded in the current year.

6.2 Performance Management

A lightweight and targeted performance management discipline would provide key tools for the VWB to oversee and monitor the implementation of activities called for by *Virginia Wine Strategic Marketing Plan 2011-2020*. At the onset of any board-directed activity, the board determines specific performance measures that, when monitored, would indicate the impact the activity is making on the industry. Additionally the board would establish for each measure targets that realistically represent the probable outcome of the activities. These performance metrics would be collected and reported to the board periodically to allow the board to maintain oversight of the effectiveness of its investments.

Development of the appropriate performance measures is key for providing the board with meaningful accounts of the outcomes from these activities. Measures should be chosen to reflect

the activities reviewed as narrowly as possible to prevent including the outcomes from other efforts. Just as importantly, measures should be relatively simple to objectively collect and verify.

6.3 Risk Management

As a complementary effort to the strategic plan development, the VWB can establish a lightweight risk management practice to periodically review and mitigate risk and uncertainty as the plan implementation proceeds. The impact of risk may be both positive and negative, and the objective for risk management is to ensure the industry captures as much of the positive results as possible while avoiding as much of the negative results as possible. The risk management responsibilities of the VWB would include three primary activities:

- **Conduct Periodic Risk Analysis** - On an annual basis, the board can conduct a risk analysis to identify and assess those factors that may prevent or significantly delay the organization from successfully achieving its goals. The analysis process produces a simple list of the known risks with an assessment of the economic or other impacts if the plan outcomes are not achieved.
- **Prioritize Risks** - When satisfied with the risk analysis, the board should prioritize the risks based on the greatest impact to the desired results of the plan. The impact of any risk would be quantified as the cumulative economic value of the risk or event, including follow-on costs or profits.
- **Mitigate Risks** - From the perspective of an industry governing board, the mitigation of risk is accomplished through directed investments of the board's financial and information resources to the mitigation or enhancement of the prioritized risks. Like any activity requested by the VWB, oversight of these efforts should be achieved through management of key performance metrics that are routinely monitored and reported to the board. Investments that do not appear to be effective can be terminated and the resources reapplied.

7 Other Critical Activities

While outside the scope of a traditional strategic marketing plan and of the Virginia Wine Board Marketing Office, the activities and initiatives presented below are fundamentally important to ensuring the long-term competitive operation of vineyards and wineries in the state. These programs provide the industry infrastructure necessary for a successful marketing strategy, such as developing and ensuring the consistent quality of the collective product, and the delivery of the product at prices and profitability that will sustain both the consumer's and the industry's interests. In each case, the VWB would establish committees or working groups reportable directly to the board and largely staffed and lead by representatives from the relevant industry organizations.

- **Wine and Grape Quality Control** - In partnership with the VVA and VWA, the VWB should encourage the adoption and maturation of an industry-led Wine and Grapes Quality Control

Program. This program will provide objective criteria and guidelines for the fruit and wines produced by the state in order to establish a consistent image for Virginia wines.

- ***Vineyard and Wine Production Research and Testing*** - Working with the VVA, VWA, and Virginia Tech enology program, the VWB should continue to guide and fund vineyard and wine production research and testing programs to ensure the highest-quality practices and standards for fruit and wine products are identified and implemented. This program will support the ongoing development of the most appropriate techniques and practices for growing fruit and making wine within Virginia's climate and geographies.
- ***Vineyard and Winery Business Operations Support*** - By partnering with the VVA and VWA, the VWB should encourage the establishment of a program to provide business operations best practices and expertise for growing fruit and making wine in Virginia. This program can assist industry members in producing the same or better quality products at lowered expense and higher profitability, ensuring Virginia wine collectively attains or remains at a competitive price point in the market. As part of this program, the VWB would fund economic research into developing and promulgating efficient and effective winery and vineyard operations tailored specifically to lowering the costs of growing fruit and producing wines in Virginia.
- ***Vineyard and Winery Financial Training Support*** - In conjunction with the VVA and VWA, the VWB should encourage the establishment of a program to provide financial best practices and expertise for operating a vineyard or winery in Virginia. This program would assist industry members with best practices for financial planning and implementation for sustaining growth at new and existing operations.
- ***Vineyard and Winery Agricultural Cooperative Pilot*** - By partnering with an existing or new Virginia agricultural cooperative, the VVA and VWA, and the VWB would support the pilot and subsequent study of a vineyard- and/or winery-focused agricultural cooperative. Specifically, the VWB would seek viable opportunities for wineries and vineyards in the state to aggregate demand and leverage the resulting scale to drive economic and operational efficiencies. Areas of interest would include the procurement, leasing or operation of capital-intensive fixed assets and equipment, commodity materials and supplies, and shared facilities.
- ***Feasibility Study of a Retail Fulfillment Operation*** - In partnership with the VWA, the VWB should fund a study to consider the establishment of a retail fulfillment operation to support the direct sales of Virginia wines through telephone, Internet and/or mail order channels. Similar to the Virginia Winery Distribution Company, the retail fulfillment company would provide smaller wineries with access to a fully compliant and cost-effective direct sales infrastructure. The study would consider the costs, benefits and legal considerations of such an organization and would provide a recommendation to the board.

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