

The Nielsen Company presentation to:



Potato, Potatloe: Exploring The Difference Between Web and Brick & Mortar Buyers

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Today's Agenda

- Top-Line data for traditional outlets (Brick & Mortar)
- Growing Availability of Wine
- Direct to Consumer Survey



Headline this week...

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Cyril Penn, Editor

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Consumer-Direct Sales Continue to Grow

Direct sales are an emerging category as wineries look to bypass the restrictive, costly and time-intensive three-tier system and reach out directly to consumers. For many small wineries, tasting room and direct sales can account for the largest percentage of profits, ahead of traditional distribution channels. Still, unrest about the health of the economy has affected how (and how much) those sales are being made.

"It's been a very interesting year," said **Kathleen Hoertkorn**, founder and CEO of **New Vine Logistics (NVL)**, a consumer-direct fulfillment company. Hoertkorn discussed the strength of the category at a presentation during the **Unified Wine and Grape Symposium** in late January. "The data we have is aggregated from hundreds of wineries and third-party marketers using New Vine Logistics services. All told, the data includes over 1.2 million orders and five million bottles shipped.

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Consumer Direct Wine Purchasing

December 2007

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Quick Question

➤ Show of hands

➤ How many of you are familiar with The Nielsen Company?

➤ Two main ways we track sales








➤ Scan data from Grocery, Drug, Liquor, Mass & C-Stores

➤ Household panel (125,000 households)



Table Wine – Price Point

Highest growth has come from the higher price points

 Rank	\$ Share	Abs \$ Chg MM	Nielsen Trend	Dollar % Change	Volume % Change
Table Wine	100%	+\$512.5		+6.8%	+3.5%
0-\$2.99	11.2	-4.7		-0.5	-1.0
\$3-\$5.99	21.9	+\$79.2		+4.7	+4.0
\$6-\$8.99	26.4	+\$67.0		+3.3	+3.5
\$9-\$11.99	21.8	+\$164.4		+10.4	+9.0
\$12-\$14.99	7.2	+\$80.0		+16.1	+14.6
>\$15	11.4	+\$120.3		+15.2	+13.8

2007 “new items” percentages tracked by Nielsen led by...











- 1) \$10-\$14 (27%),
- 2) \$14-\$25 (21%) and
- 3) \$8-\$10 (19%)

Source: Nielsen Food, Drug, Liquor, Mass ex WM - 52 w/e 12/15/07




Updated Slide with higher price points.

Also updated to most recent 52 week period ending February 9, 2008
(Does not include Mass Merch sales)

 Rank	\$ Share	Abs \$ Chg MM	Nielsen Trend	Dollar % Change	Volume % Change
Table Wine	100%	+\$456.6		+6.8%	+3.5%
0-\$2.99	11.4	-4.6		-0.5	-1.0
\$3-\$5.99	22.0	+\$66.2		+4.0	+3.3
\$6-\$8.99	26.3	+\$53.5		+2.7	+2.7
\$9-\$11.99	21.7	+\$149.1		+9.7	+8.2
\$12-\$14.99	7.2	+\$77.5		+16.1	+14.6
\$15-\$19.99	6.1	+\$61.4		+15.0	+14.0
\$20-\$24.99	3.6	+28.0		+11.0	+7.1
\$25-\$29.99	1.1	+17.1		+24.0	+20.1
> \$30	1.9	+14.0		+10.2	+6.5

Wine buyers generally seek variety

Roughly 1/4 of Wine buyers - those that seek variety in the category - account for a whopping 2/3 of category volume – critical consumers!!!

2006	BRANDS			ITEMS		
Buyer groups by variety sought 	Light	Medium	Heavy	Light	Medium	Heavy
WINE (# of...)	0-2	2-4	4+	0-2	2-6	6+
% of Buyers	56%	18%	26%	49%	28%	23%
% of Wine Volume	19%	16%	65%	12%	24%	64%
# of Brands/Items Purchased	1.3	3.4	11	1.4	4.1	15.6



Top Dollar Sales Brands By Channel

Green: Top Brands only in 1 channel

Grocery	Natural Grocery	Convenience	Drug	Mass Merch	Combined Liquor	Upscale Liquor Retailers
Yellow Tail	Frey	E&J Twin Valley	Franzia	P. Label	Yellow Tail	Beaulieu
Sutter Home	Bonny Doon	Turning Leaf	Carlo Rossi	Yellow Tail	Woodbridge	Beringer
Franzia	Bonterra	Sutter Home	Liv Cellars	Sutter Home	Carlo Rossi	Sterling
Woodbridge	Rex Goliath	Woodbridge	Yellow Tail	RM Priv Sel	Franzia	Trincherro
Beringer Cal Coll	Bogle	Yellow Tail	Sutter Home	Beringer Cal Coll	Almaden	Rombauer
Liv Cellars	Ravenswood	Livingston Cellars	Almaden	Woodbridge	K-J Vint Reserve	CDB Classics
E&J Twin Valley	Castle Rock	Beringer Cal Coll	Peter Vella	Fetzer	Beringer Cal Coll	Pepperwood Grove
K-J Vint Res	Yellow Tail	KJ Vint Res	Woodbridge	CDB Classics	Cavit	R. Mondavi
Carlo Rossi	Nevada Wine Guild	Arbor Mist	E&J Twin Valley	Lindemans	Sutter Home	Trinity Oaks
Almaden	Morrow Bay	Vendange	Beringer Cal Coll	E&J Twin Valley	Liv Cellars	Chalone
RM Private Sel	Niebaum Coppola	Boone's Farm	Vendange	Chateau Ste Mich	Santa Margherita	Joseph Phelps
Vendange	Blackstone	Bella Sera	KJ Vint Reserve	Smoking Loon	CDB Classics	Guenoc

Source: ACNielsen, Total Wine, 52 weeks ending 07/01/06
 SPINS Natural Grocery, 52 weeks ending 05/20/06



A few recent quotes:

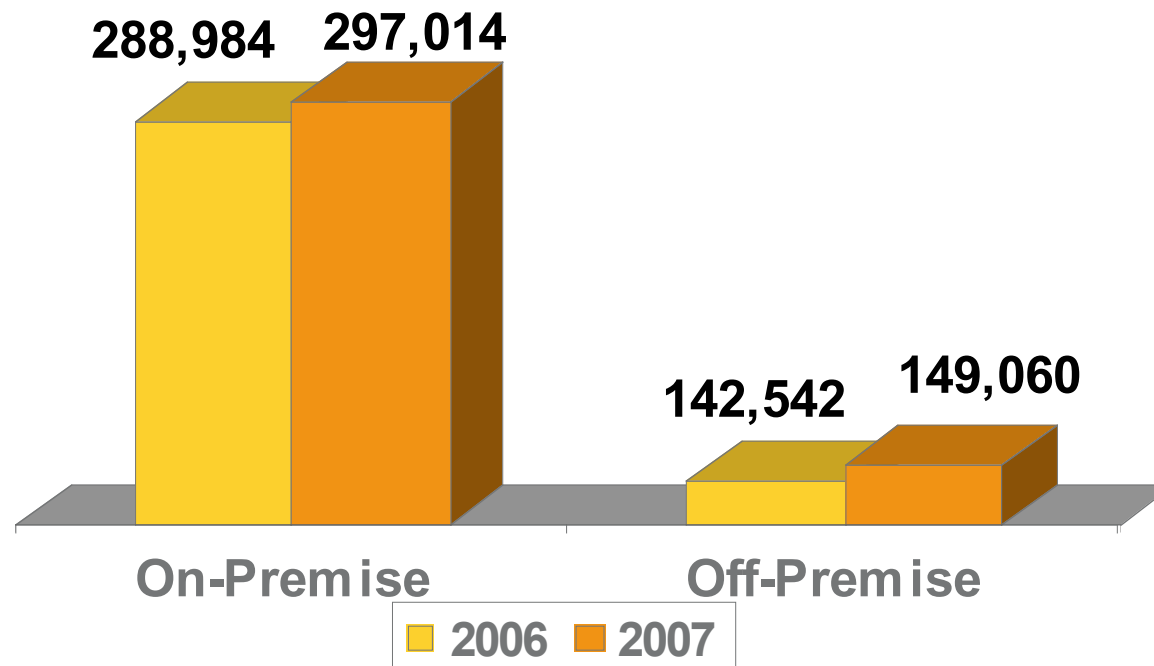
- **Ted Baseler** President, Ste. Michelle Wine Estates: (heard at the Unified Wine & Grape Symposium)
 - Expanded distribution channels will be a big growth area for the wine category (i.e., Sunday sales, new grocery markets, internet, upscale car washes etc.)
- **Todd Hale** Vice President, Consumer Insights, The Nielsen company
 - Large numbers of consumers eating out less and staying home more... signal a tough year for some restaurants... there may be an opportunity for consumer packaged goods (CPG) manufacturers and retailers to find... growth in... at-home meal solutions and at-work meals."
 - He then added: our research shows a jump in consumers shopping on the Internet as a way to deal with high gas prices... a wake-up call for manufacturers and retailers alike to step up their 'direct-to-consumer' efforts and utilize the Internet to communicate directly with consumers in 2008... "



The growing availability of Wine...

Why? Very large and growing category (and into higher price points), offers range of choice and “newness”, high dollar rings, enhances image, large and often profitable boost to shopping baskets or restaurant bill

Number of Wine selling outlets - Total U.S.



Growth led by...

casual dining
private clubs

convenience stores
indep. liquor, grocery (all types)
mass merchandiser



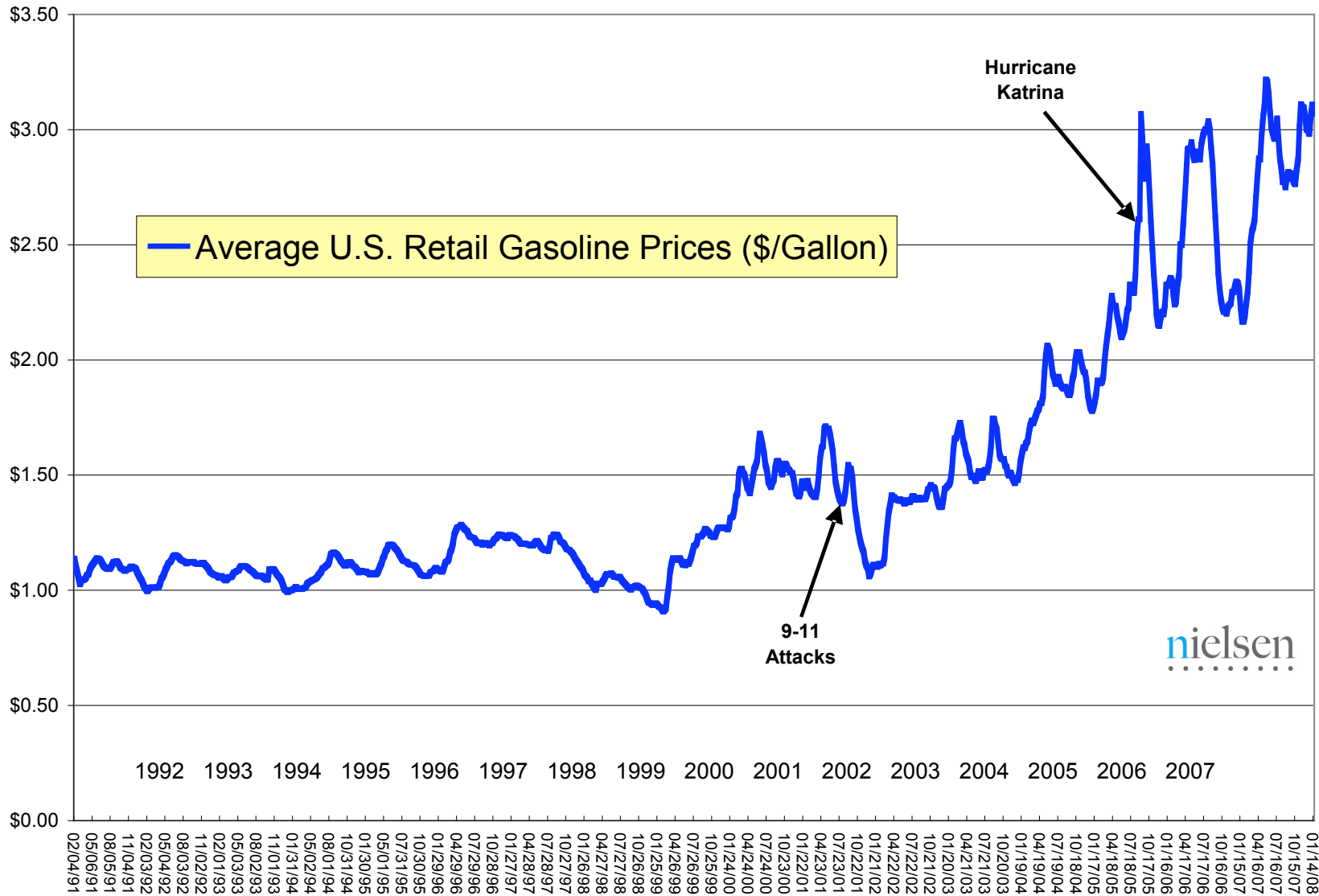
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- **Todd Hale** Vice President, Consumer Insights, The Nielsen company
 - Large numbers of consumers eating out less and staying home more... signal a tough year for some restaurants... there may be an opportunity for consumer packaged goods (CPG) manufacturers and retailers to find (alternatives to “brick & mortar” sales, for instance) growth in... at-home meal solutions and at-work meals."
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U.S. Gas Prices Over 15 Years

Source: U.S. Department of Energy



A few less “Ho Ho Ho’s” this holiday,

(Nielsen survey – Dec 2007)

Factors Impacting 2007 Holiday Spending		Plans for Holiday Spending -compared to prior year	
<i>Less money to spend due to...</i>	%		%
Increased gas prices	60	Spending about the same	47
Too many other bills to pay for	60	Spending less	44
Job/work wages	42	Spending more	6
Mortgage situation	16	I don't buy gifts for the holiday	3

Source: Nielsen Homescan, December 2007



Wine “Consumer Direct” Purchasing



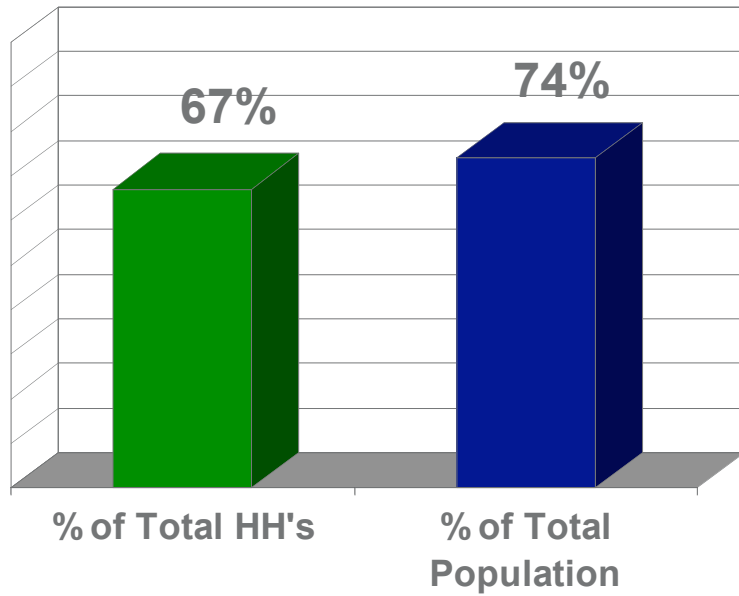
*DIRECT TO CONSUMER CHANNELS (On-Line &
Tasting Room) NOT TO BE IGNORED*

Nielsen Homescan PanelViews Survey

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The Internet is Reaching Critical Mass

- The Current Web Universe is 215.3 million people



Online Users Are Consuming More Content & Spending More Time Online

- Overall Internet Audience Comparison

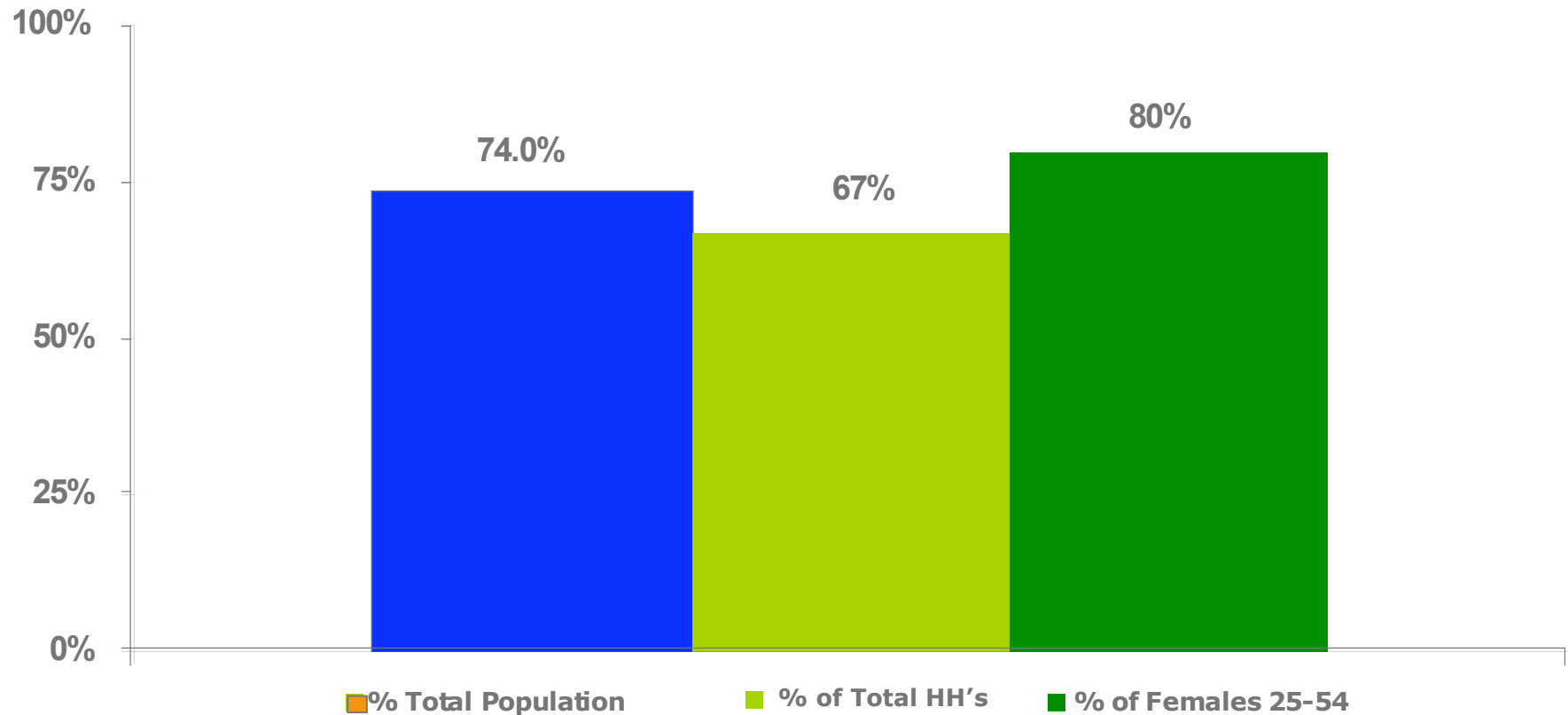
	Aug-06	Aug-07	YOY Change (%)
Web Pages per Person	2,244	2,436	9%
PC Time per Person	61:29:47	66:37:29	8%

Source: Nielsen//NetRatings NetFacts Q1 2007/ NetView Audience Measurement August 07/ U.S. population data based on World-gazetter.com



And, as the Web reaches critical mass, Women 25 – 54 are leading the way

Internet Penetration - Nov 07'



Source: Nielsen//NetRatings NetView. Nov 2006



Nielsen PanelViews Methodology



- Survey sent to approximately 92K Households
 - Geographically and demographically representative of the total U.S. population
 - Did not need to be a Wine buying household from “traditional” channels
 - A little over 80% of the survey fielded on-line/20% via paper methodology
- Overall response rate = 73% (67K responses)
 - Response rate fairly similar between on-line and paper
- Fielded in 2007



Executive Summary

- An impressively large number of consumers purchase Wine via “direct” channels (tasting room or on-line)
 - Tasting Room penetration is especially eye-catching!
 - While Californians lead the way, National penetration is impressively significant
- A significant – though not a majority of Wine buyers - solely purchased via “Direct to Consumer” channels
- Consumers that buy Wine via both “consumer direct” **AND** traditional “mass” off-premise channels are critical!
- While Marketers can “target and attract” a specific set of consumers to these unique channels of distribution, they **MUST** ensure a very satisfying experience that will result in repeat visits



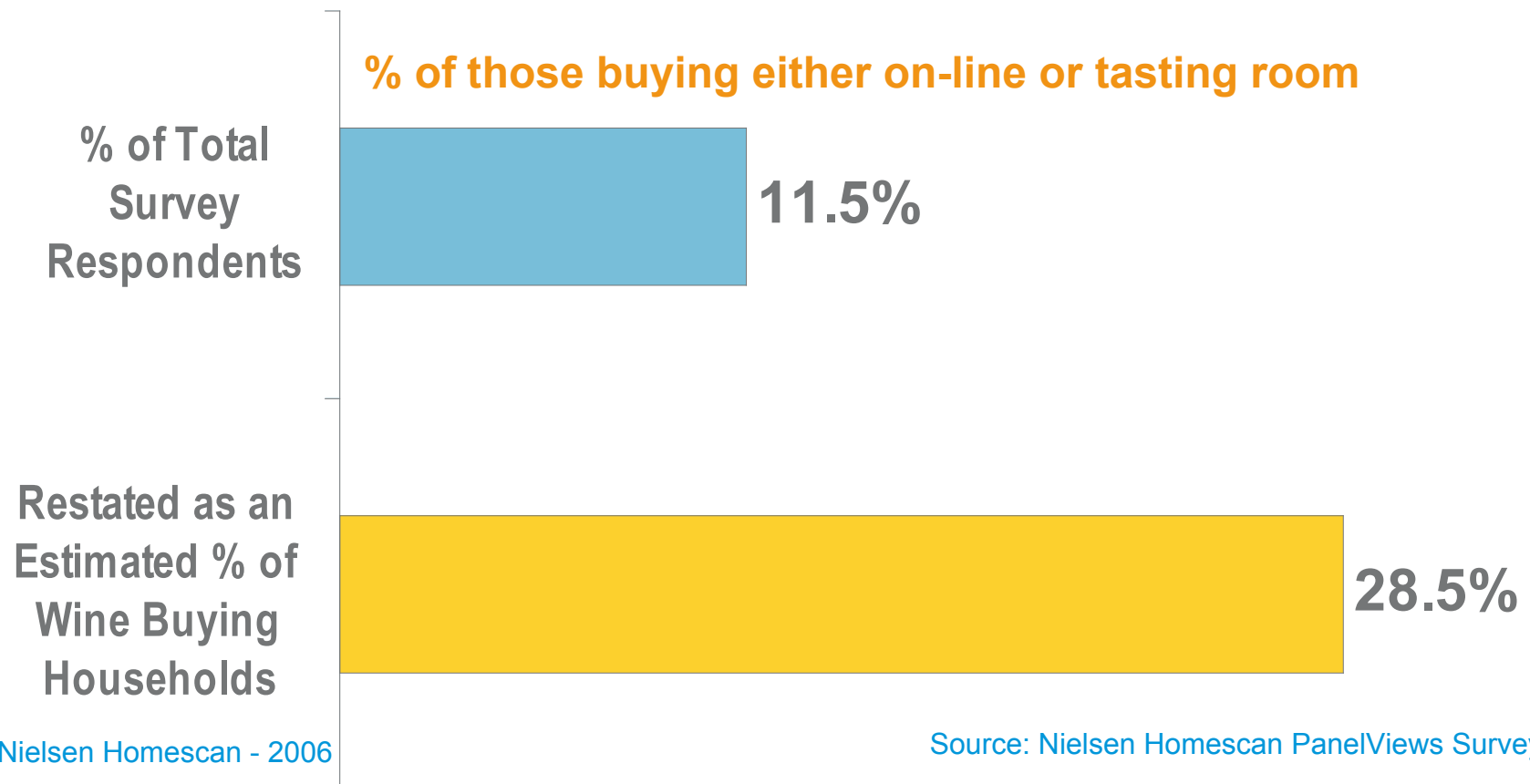
Benefits of “Direct to Consumer” Channels

- Control
 - Over what is offered, when, and at what price
- Consumer relationships/loyalty
 - Build personal relationships with consumers
 - Build customer loyalty/repeat visits
 - Reach customers who might never/infrequently walk a traditional store
- Communication
 - Provide valuable Wine information
 - Educate your consumer
- Greater year round sales



On-Line and Tasting Room Penetration is Impressive!!!

A very large number of **total** survey respondents had purchased Wine either on-line or from a Winery tasting room over the year. Given that Household Penetration for Wine hovers around 40%* annually, the estimated percentage of **Wine buying households** that buy from “direct to consumer” channels is very impressive!



*Source: Nielsen Homescan - 2006

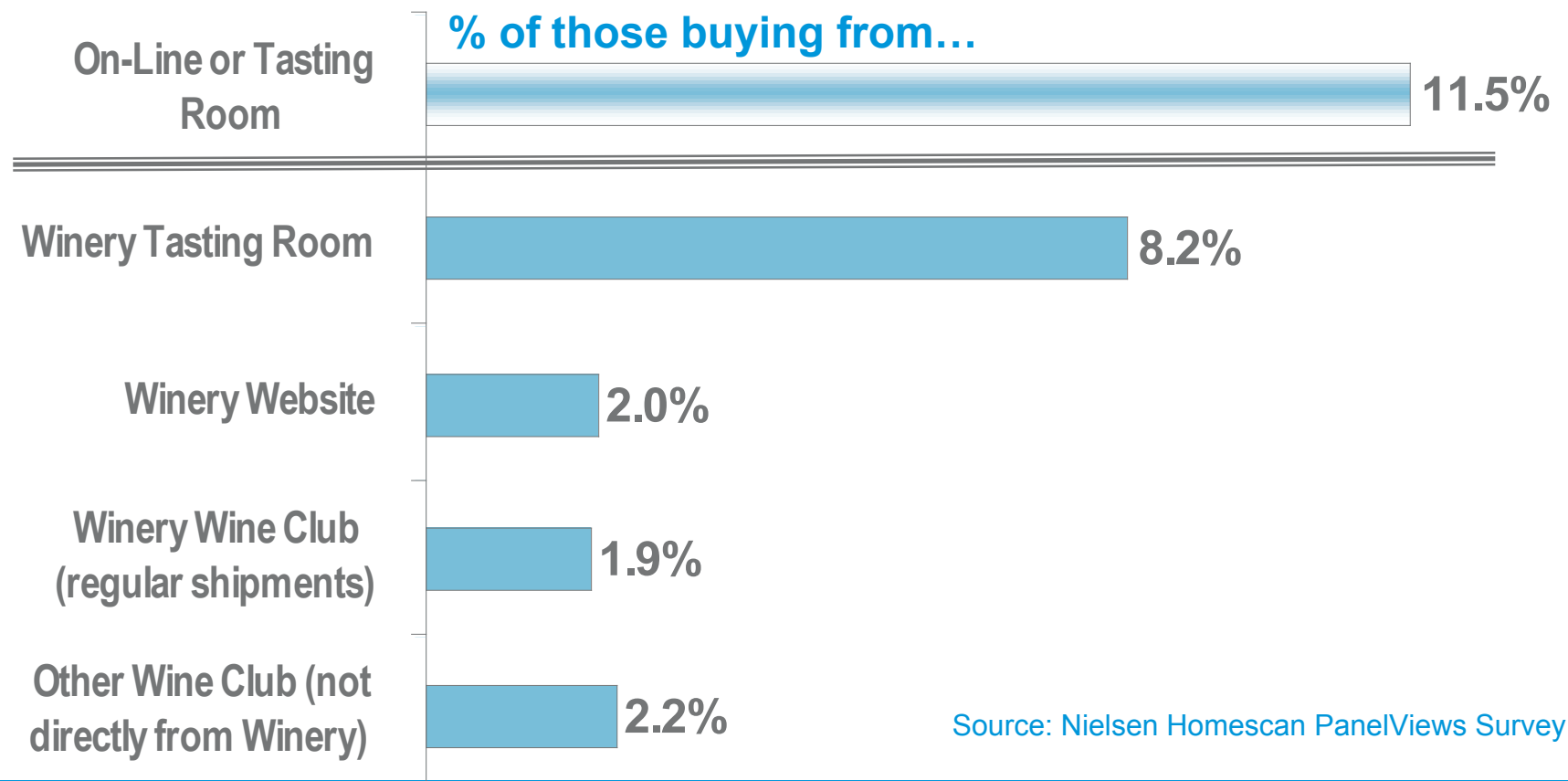
Source: Nielsen Homescan PanelViews Survey



A Large Number of Respondents Had Purchased Wine from a Winery Tasting Room

Only a very small % of respondents purchased from multiple sources

Q: From which of the following places, if any, have you or anyone in your household purchased Wine in the past 12 months?



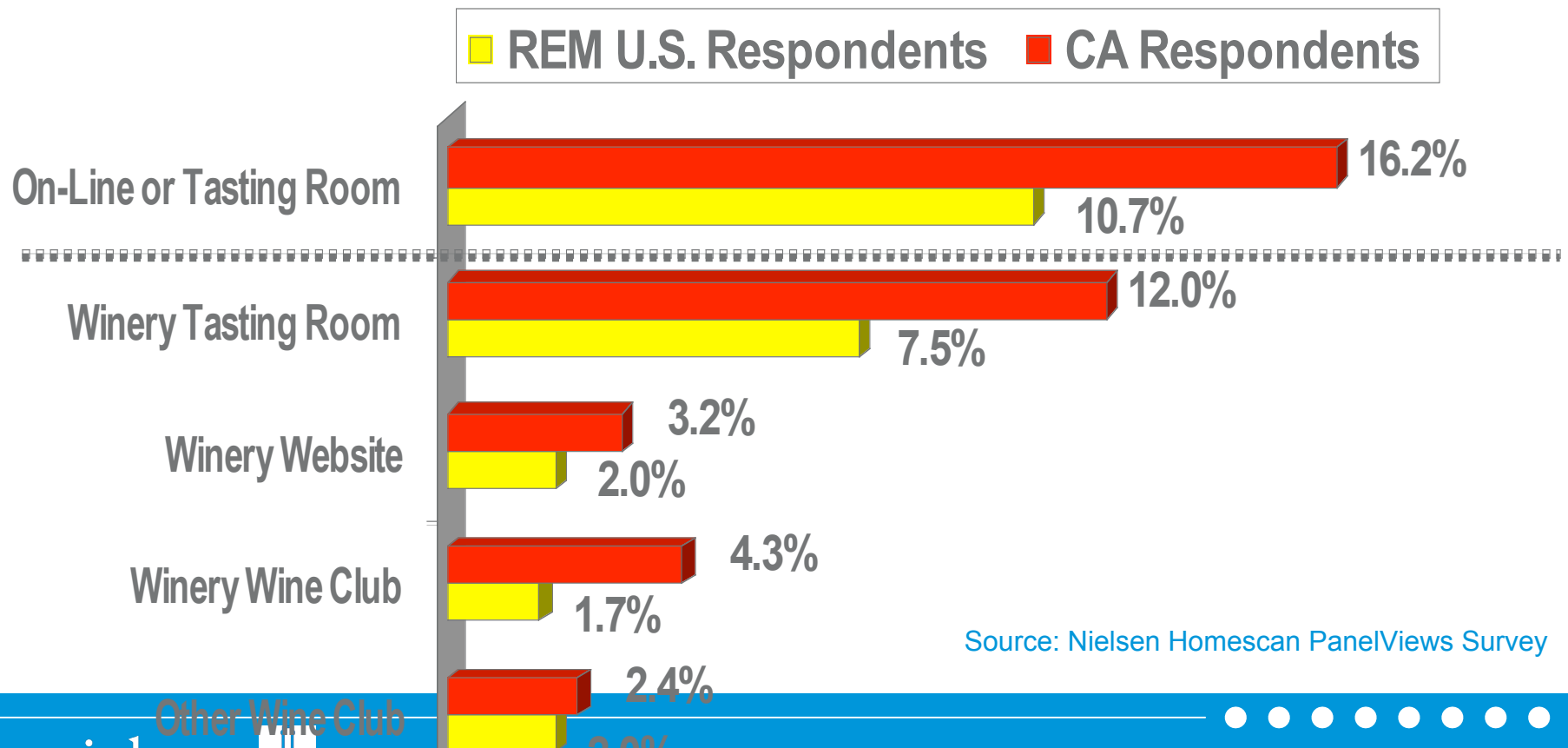
Source: Nielsen Homescan PanelViews Survey



Californians Lead the Way, but Non-California Buyers Register Strongly

The still high responses from outside California indicate that Wine purchasing outside of “brick and mortar” stores is not isolated just to California residents!

Q: From which of the following places, if any, have you or anyone in your household purchased Wine in the past 12 months?



Source: Nielsen Homescan PanelViews Survey



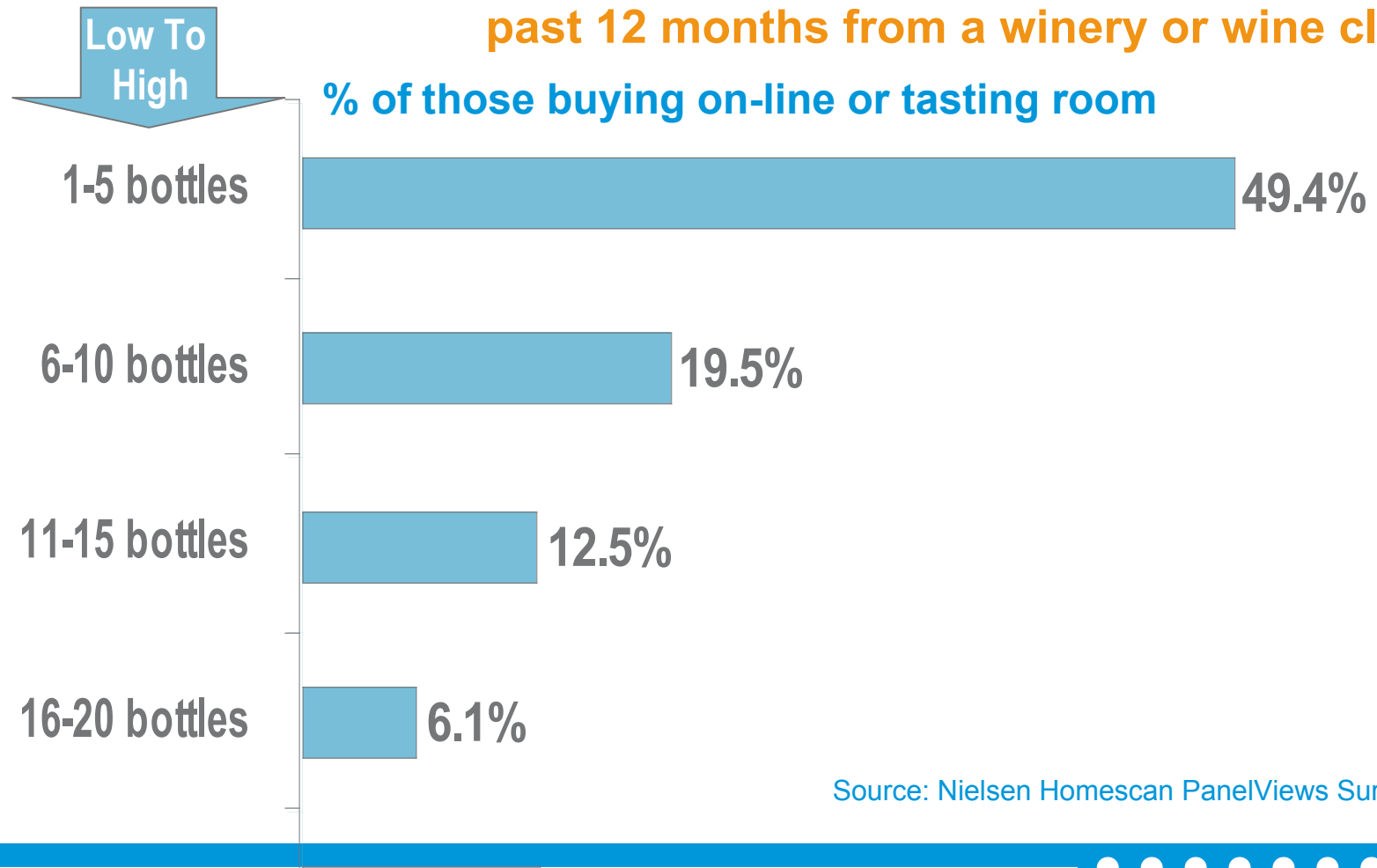
“Repeat Visits” (in the case of a Tasting Room) AND “Availability of Wines not Present Elsewhere” are the Top Reasons for Purchasing from these Sources

Q: Tell us why you have purchased wines from a winery or wine club



About 1/2 the Respondents Buying Wine via Tasting Rooms or On-Line Bought More Than Half a Case Annually from these Sources; Almost 1/3 Over a Case

Q: How many bottles of Wine have you purchased in total over the past 12 months from a winery or wine club



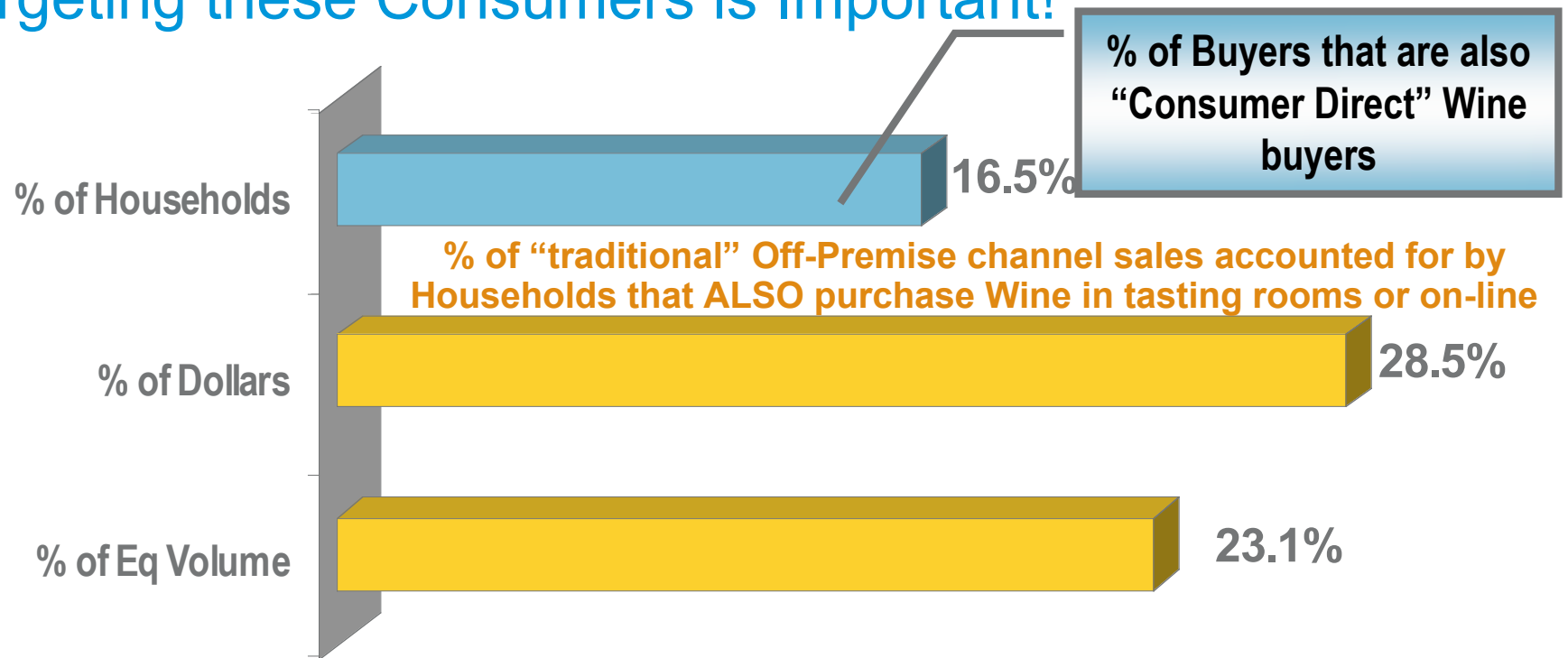
Source: Nielsen Homescan PanelViews Survey



Consumers that Buy Wine Via “Consumer Direct” Channels AND “Traditional Mass” Off-Premise Channels are Critical!

By linking this survey with our ongoing Homescan Panel, we know that 16.5% of Panel households that buy **both** in Consumer Direct and Traditional Mass Off-Premise channels are heavier Wine-buyers (and Premium buyers) in Traditional Off-Premise Channels.

Targeting these Consumers is Important!

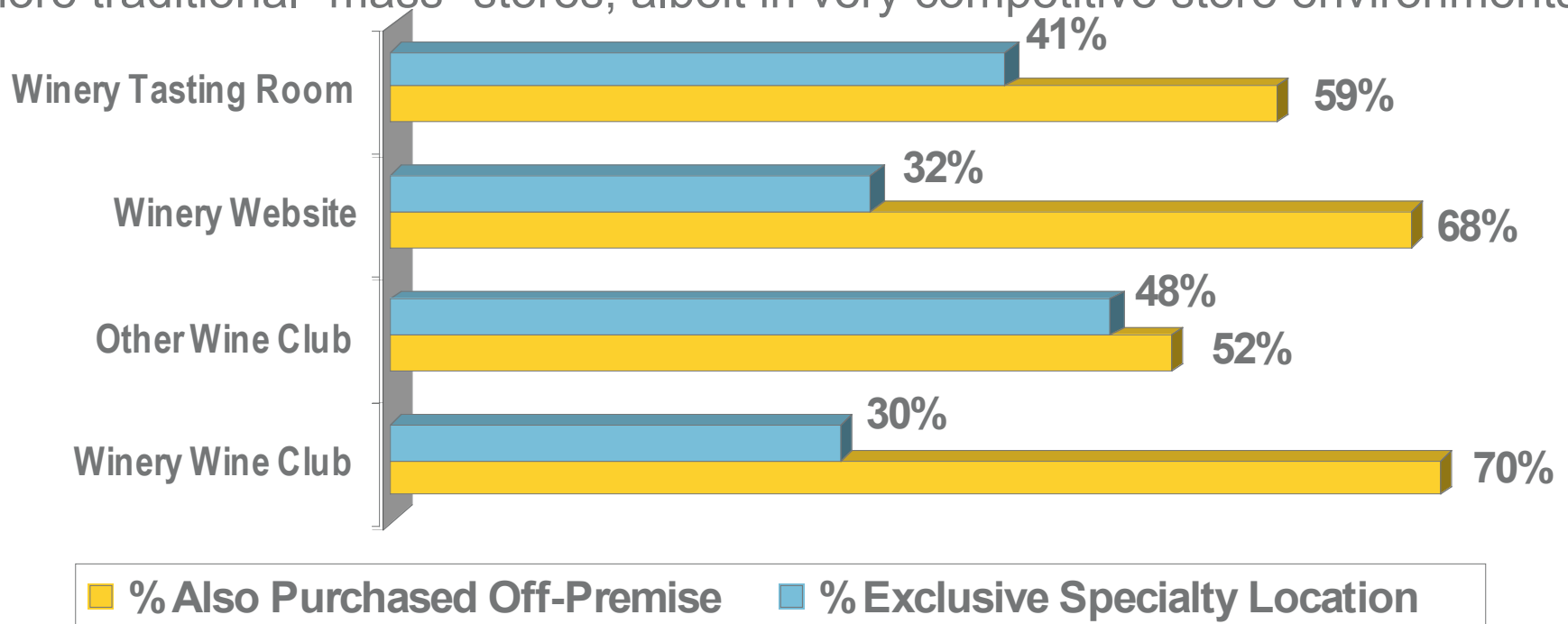


Source: Nielsen Homescan PanelViews Survey



Respondents Purchasing Wine via Consumer Direct AND Traditional Off-Premise Channels were in the Majority; However, a Significant % of Buyers Only Purchased On-Line/Tasting Rooms

Reaching those “exclusive” buyers through effective on-line and tasting room marketing is critical. Selectively, it may be important to provide your current “consumer direct” buyers with opportunities to find some of your Wines in more traditional “mass” stores, albeit in very competitive store environments



Source: Nielsen Homescan PanelViews Survey



Tasting Room and On-Line Wine Purchasers Tend to be Even Higher Income than the “Average” Purchaser in these Channels, and from Urban/ Suburban Areas

SPECTRA LIFESTYLE (Index to Ttl Panel = 100)

	Cosmopolitan Centers	Affluent Suburban Spreads	Comfortable Country	Struggling Urban Cores	Modest Working Towns	Plain Rural Living
Winery Website	164	125	106	85	78	62
Winery Club	176	156	93	90	58	50
Other Wine Club	150	127	97	93	70	79
Winery Tasting Room	120	141	117	64	75	77

Index 115-149

Index 150 & greater

Source: Nielsen Homescan PanelViews Survey



Wine Purchasers through Direct Channels Source to Varying Age Groups, None Having Kids <18 at Home

Younger Transitionals (<35), Established Couples (35-54), Empty Nest Couples (45-64) have the highest Indexes

SPECTRA BEHAVIORSTAGE (Index to Ttl Panel = 100)

	Start Up Families	Small Scale Families	Younger Bustling Families	Older Bustling Families	Young Transitionals	Independent Singles	Senior Singles	Established Couples	Empty Nest Couples	Senior Couples
Winery Website	73	73	82	112	154	92	43	137	125	60
Winery Club	86	73	74	85	148	93	40	158	112	73
Other Wine Club	85	77	90	102	148	96	72	121	118	65
Winery Tasting Room	83	86	79	93	142	82	61	132	134	79

Index 115-149

Index 150 & greater

Source: Nielsen Homescan PanelViews Survey



The Heaviest Wine Purchasers through Tasting Rooms or On-Line Tend to be from Affluent Urban/Suburban Areas, 35-54 with No Kids <18 at Home

PURCHASING >20 BOTTLES DURING PAST 12 MOS THROUGH TASTING ROOMS AND ON-LINE

LIFESTYLE	Index to TI Panel = 100
Cosmopolitan Centers	130
Affluent Suburban Spreads	119
Comfortable Country	109
Struggling Urban Cores	62
Modest Working Towns	78
Plain Rural Living	70

BEHAVIORSTAGE	Index to TI Panel = 100
Start Up Families	58
Small Scale Families	89
Younger Bustling Families	76
Older Bustling Families	81
Young Transitionals	80
Independent Singles	103
Senior Singles	84
Established Couples	136
Empty Nest Couples	115
Senior Couples	81

Index: 115 & Greater



What does it all mean for you?

- An impressively large number of consumers purchase Wine either from a Winery tasting room or on-line; Tasting Room penetration is especially significant!
 - Opportunity to Sampling calendar or start your own “Tasting Room” (where legal).
- While Californians lead the way in purchasing from these “direct” channels, non-California buyers also register strongly
 - The “allure of a visit to California” is one factor
 - The fact that all states now have Wineries – and a trip out West is not an absolute necessity - is another
- *“Repeat Visits” AND “Availability of Wines not Present Elsewhere”* are the top reasons for purchasing from these sources
 - That makes it critical to attract consumers in the first place, and to provide a very satisfying experience that will result in repeat visits
 - It also provides a reason to keep at least some Wines “exclusively” distributed via these sources



What does it all mean for you? (continued)

- About 1/2 the respondents buying Wine via tasting rooms or on-line bought more than half a case annually from these sources, almost 1/3 over a case.
- Consumers that buy Wine via these “consumer direct” **AND** “traditional mass” off-premise channels are critical!
 - They are heavier buyer and they are looking for variety
 - They also tend to be more premium Wine-buyers
- A significant – though not a majority of Wine buyers – exclusively purchased through these “direct” channels
 - Offering tasting rooms, and on-line opportunities supported by your marketing efforts, as well as retaining loyalty of your consumers who buy there, is important.



Finally...

- Retailers:

- Is there opportunity for:
 - A tasting room/area in your store?
 - A delivery service? (where legal)
 - A “special order” service for pick-up by the consumer?
 - Your own unique wine club?

- Wineries:

- Can you build additional loyalty through your current tasting room through education and sales on the web?
- Is your Direct to Consumer offering(s) unique
- Are you giving those “Heavy” buyers reason to purchase multiple bottles and on multiple occasions?



THANK YOU!!!

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Appendix:

Nielsen Homescan PanelViews Wine Survey

1. Are you 21 years of age or older?
2. From which places, if any, have you or anyone in your household purchased Wine in the past 12 months (select all that apply)
 - Winery website
 - Winery wine club (shipped directly from Winery in regular shipments)
 - Other wine club, not directly from a Winery
 - Winery tasting room
3. Please tell us why you, or anyone in your household, have purchased Wines from a Winery or Wine Club (select all that apply) – 8 individual choices plus “other”
4. How many bottles of Wine were purchased IN TOTAL over the past 12 months from a Winery or Wine Club

