

## BPM Wine Survey #2 Past, Present and Future

*By The BPM Wine Team*



### **EXECUTIVE SUMMARY**

There were several questions that we set out to answer in this edition of the survey. First, we wanted to find out how Q4 sales were, and how they compared to last year. With Harvest and Holiday sales behind us, we also wanted to get a sense for the industry's outlook for the next couple of years. Finally, a topic that has re-emerged recently over many conversations in many different arenas is that of exit strategy planning and execution. How do owners plan to exit their business? How soon? Have they started really working towards that exit?

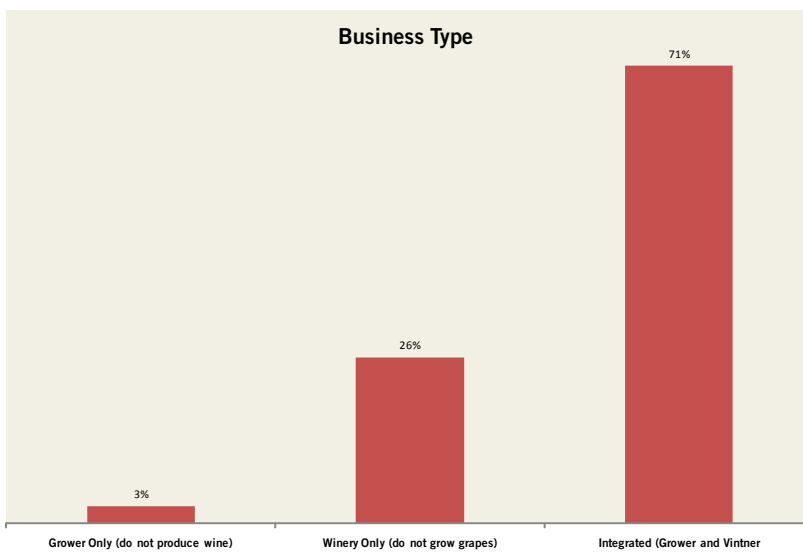
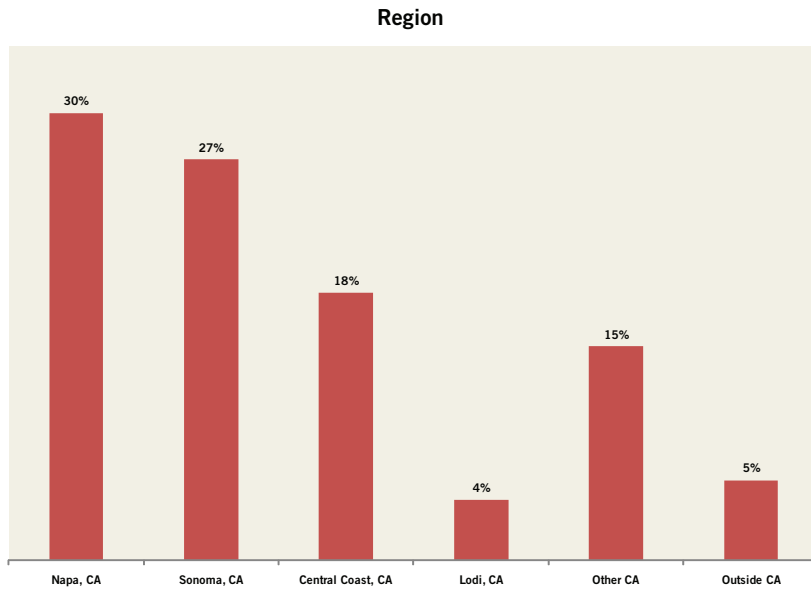
The results below answer these questions, and more. You will see that Q4 results are generally very strong, as are respondents' projections for the next 3 years. You will also see that nearly 1 in 3 winery owners plan to exit in the next 10 years, and that a great number of them are hoping for an external transaction as their strategy.

The expanded results sent to the respondents will also seek to find correlations among the various categories and answers.

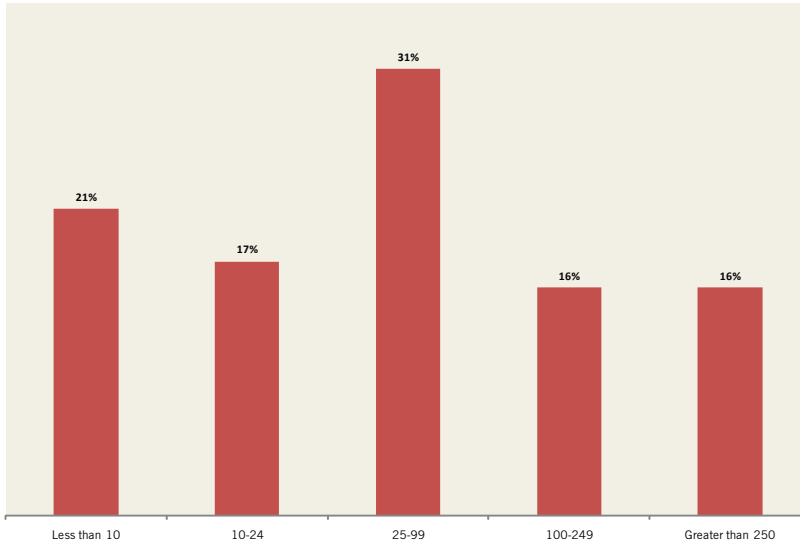
We hope you find these results as interesting as we did. We always welcome your feedback, and ideas for future surveys. See our profile page to contact us directly.

## WHO RESPONDED

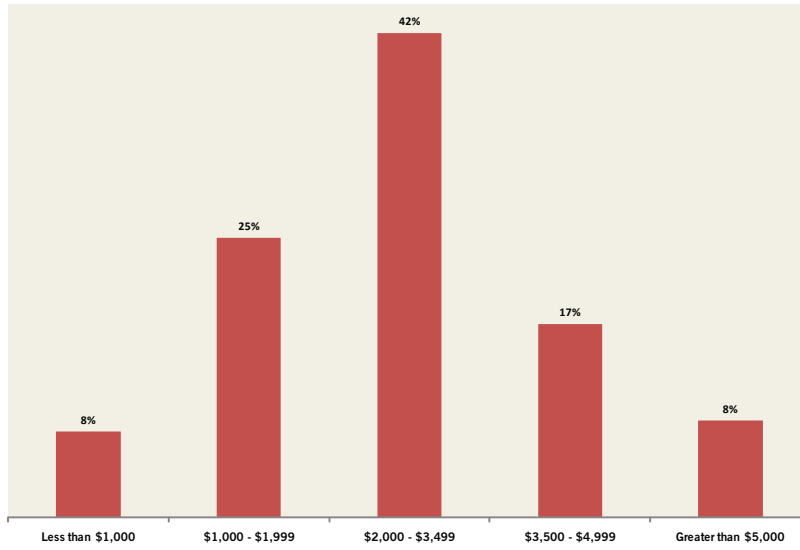
The following charts show a summary of who responded to the survey. These respondents represent a really strong cross-section of the industry in the categories of Region, Size and Price Point, as shown below:



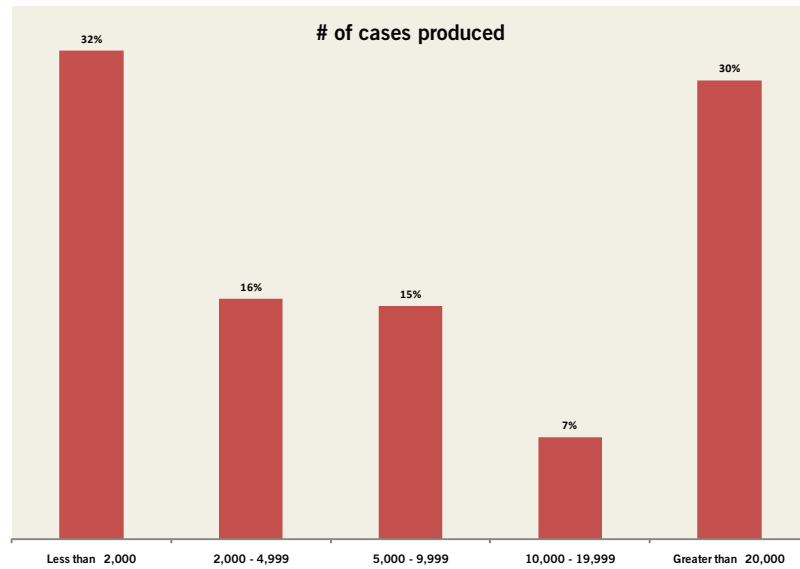
# of Planted Acres



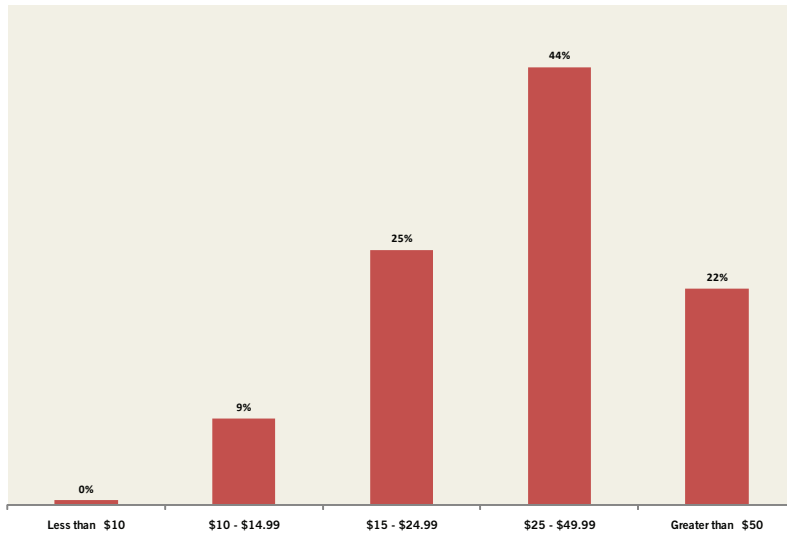
Price of Grapes (per Ton)



# of cases produced



Price of Finished Wine (per Bottle)

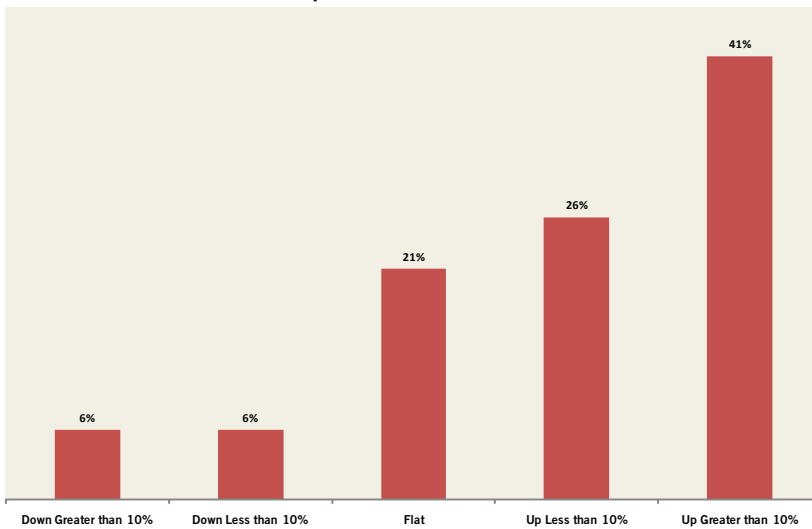


## Q4 RESULTS

A key economic indicator for the industry is holiday sales. The following charts show the comparative results for Q4 (Oct, Nov, Dec) Sales in 2011 relative to the same months in 2010.

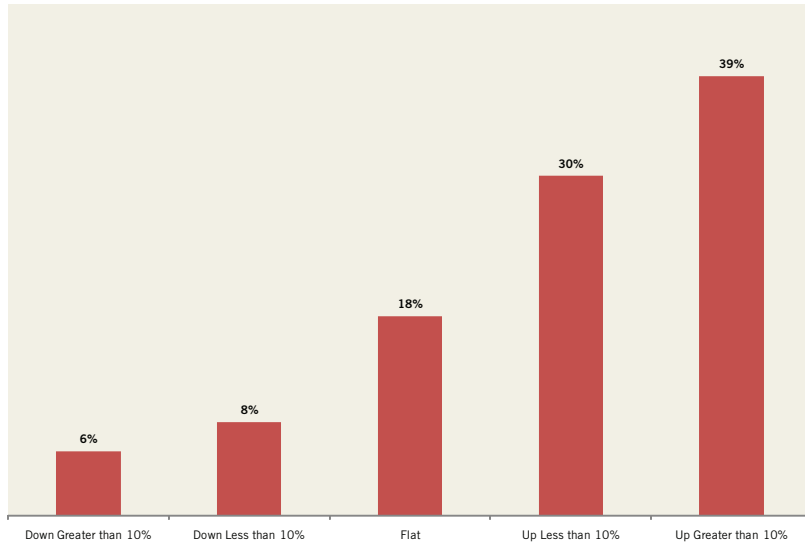
Sales results are clearly positive. Nearly 70% of respondents experienced an increase in Cases Sold in Q4 2011 compared to Q4 2010:

How did Q4 2011 Compare to Q4 2010 in number of cases sold?



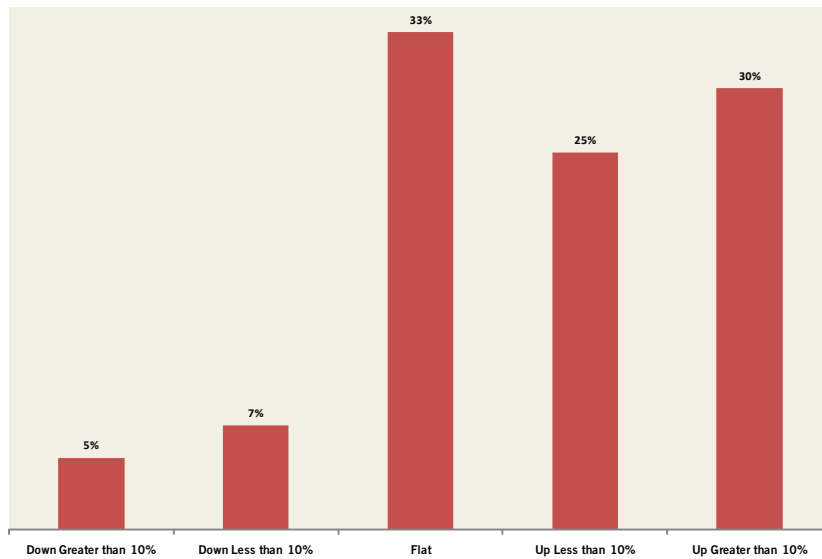
A very similar trend in the Sales Dollars metric suggests that prices are staying firm while cases sales are increasing - a positive sign.

**How did Q4 2011 Compare to Q4 2010 in Sales Dollars**



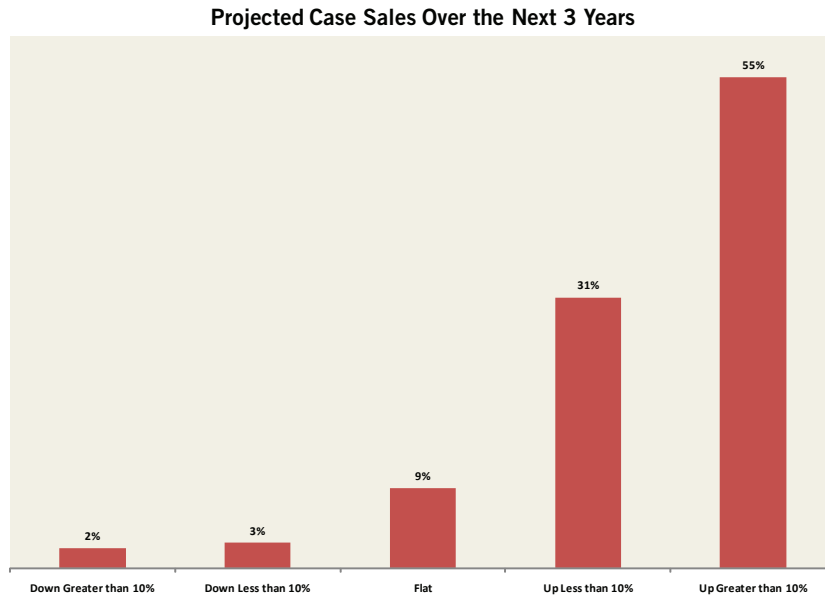
The Gross Margin chart below suggests even more good news. Not only are top-line sales increasing, but Margin trends are also very positive. 55% of respondents showed improvement in this area, while only 12% showed worse results in 2011 relative to 2010.

**How did Q4 2011 Compare to Q4 2010 in Gross Margin**

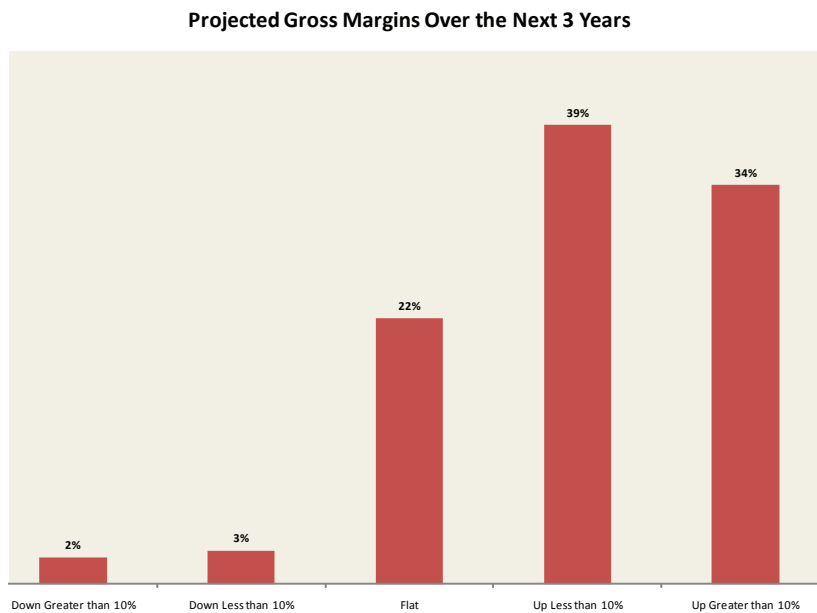


## OUTLOOK

With the contrast of a difficult 2011 Harvest but very positive 2011 Holiday Sales, we asked respondents to project the next 3 years. Almost 90% of respondents project an increase in case sales over the next 3 years, including 55% who anticipate case sales growth of over 10%.

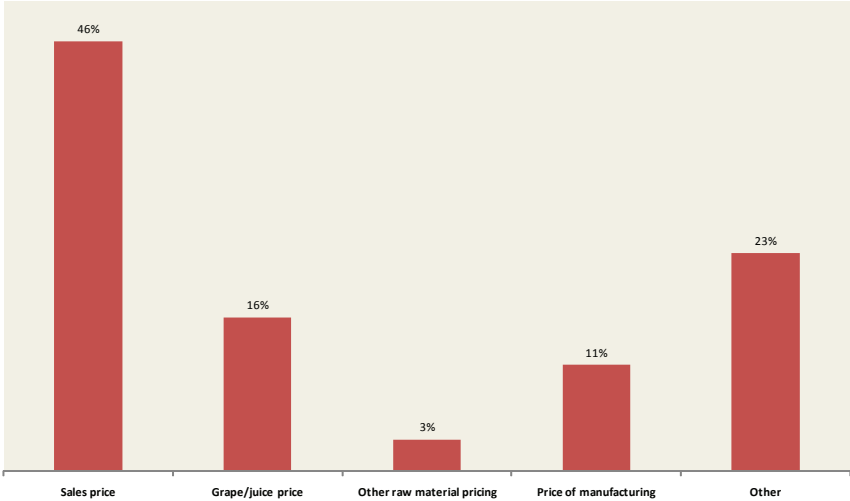


In addition to just an increase in case sales, over 70% of respondents anticipate an increase in Gross Margins over the next 3 years.



As Gross Margins can be affected by multiple drivers, we asked which factor would have the greatest influence on respondent's projection of the Gross Margin increases over the next 3 years. Nearly half of the respondents anticipate price increases over the next 3 years as the main driver to the increase in Gross Margin.

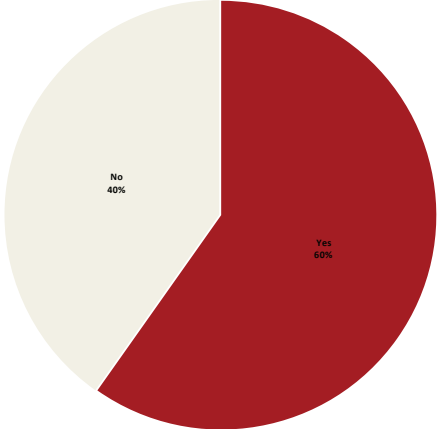
**What Has the Greatest Influence on Your Gross Margin Over the Next 3 Years?**



**EXIT STRATEGY**

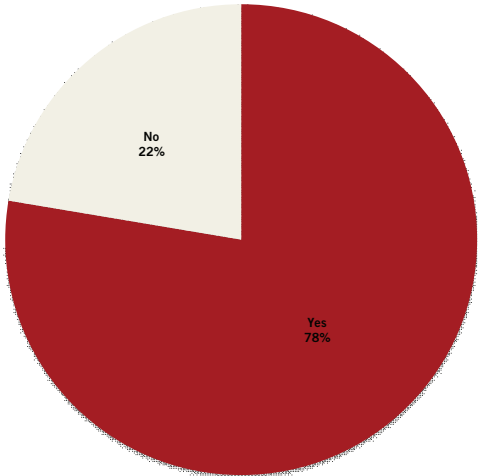
One of the most interesting statistics from this survey was that only 60% of respondents said that they had financial targets and projections when they started the business.

**Did you have specific financial targets and projections when you started the business?**



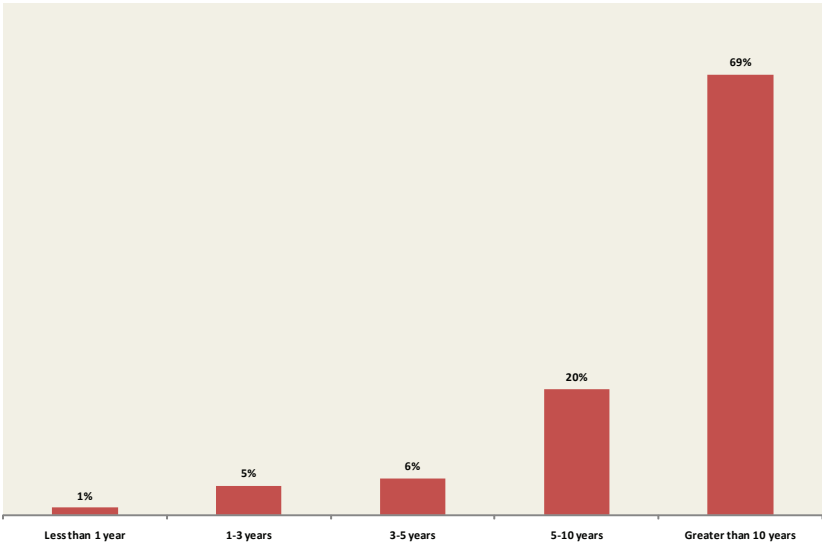
It does appear that the general level of planning has increased substantially, with almost 80% of respondents showing that they have created or updated projections in the last 12 months. However, the other side of this statistic is that 1 in 5 respondents are not actively creating or updating projections at all.

Have you created / recreated financial projections in the last 12 months?

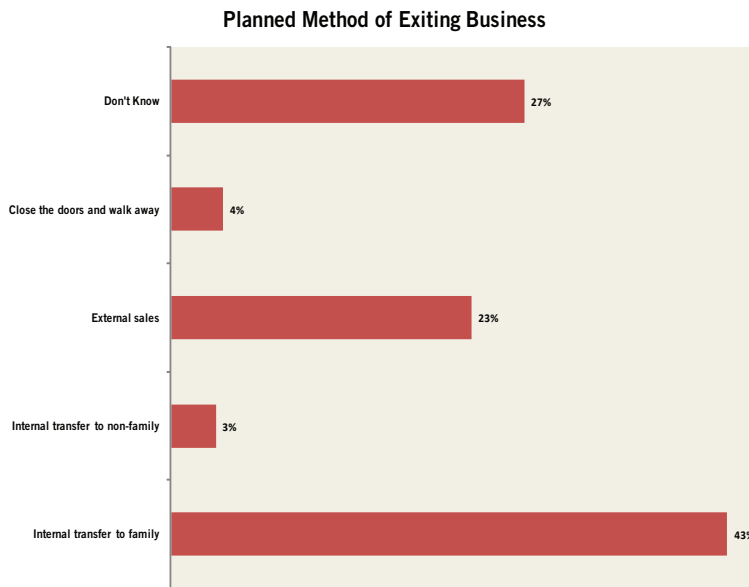


Over 10% of owners plan to exit in the next 5 years. Over 30% plan to exit within 10 years.

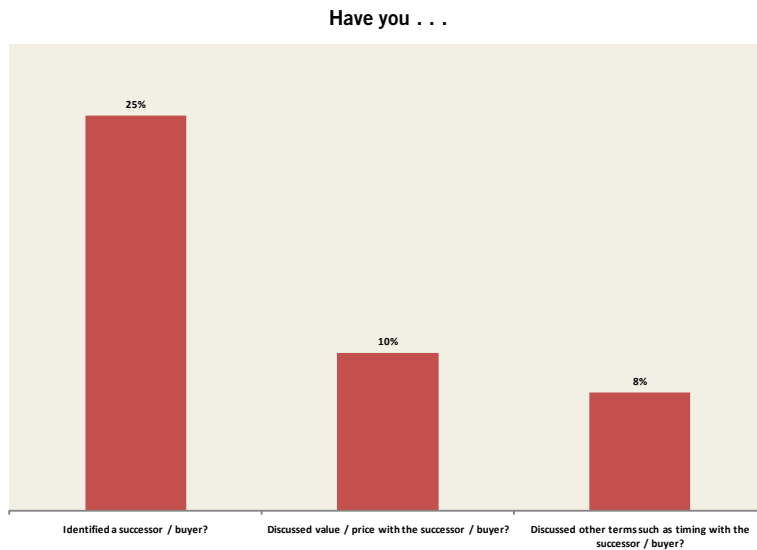
Timeframe for Exiting Out of Business Ownership



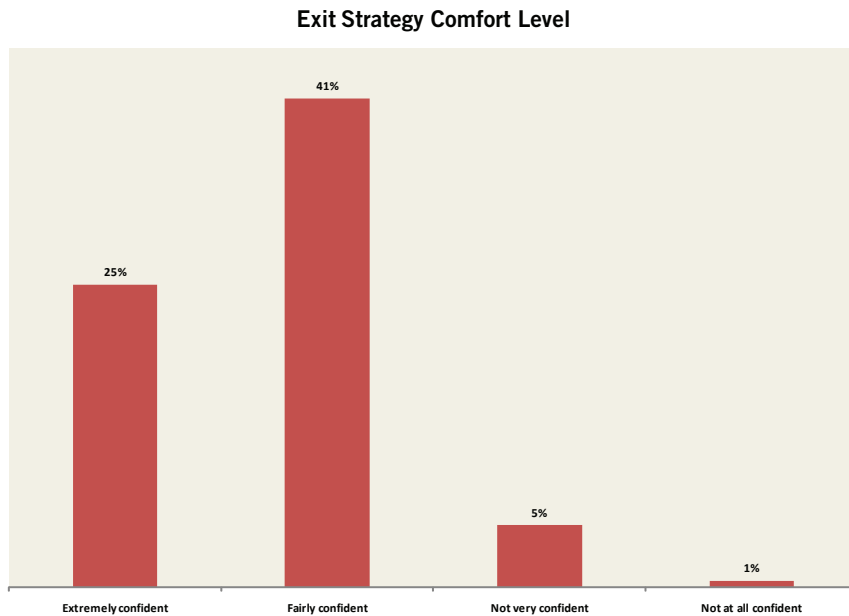
Nearly half of the respondents plan to transfer ownership internally, primarily to family members. Almost 1 in 4 plan to sell their winery to outside buyers as their method of exit.



Of the respondents who identified an exit strategy of either internal transfer or external sale, we asked about their progress thus far. 1 in 4 respondents have identified a successor/buyer, but only 10% have gone so far as discussing value or price.



Survey respondents are generally quite confident in their exit strategy.



## About the Survey

Thank you again for your interest and participation in this survey. We will be conducting surveys throughout the year. As we are providing this service for the benefit of the industry, we would really appreciate hearing from you about how we can make the survey better, and with ideas for future topics and questions. Please do not hesitate to contact us:

**Steve Jannicelli, CPA, MBA**

**Sr. Manager, Private Company Services**

**Business Advisor in Winery & Vineyard Industry Group**

**Email: [sjannicelli@bpmcpa.com](mailto:sjannicelli@bpmcpa.com)**

**Phone: 707-524-6560**

**You can also follow us on twitter [@BPMWine](https://twitter.com/BPMWine)**

This publication contains information in summary form and is intended for general guidance only. It is not intended to be a substitute for detailed research nor the exercise of professional judgment. Neither BPM nor any member of the BPM firm can accept any responsibility for loss brought to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.