

Industry Survey-Going Green

*An Excerpt From “Wine Business Strategies for a
a Global Industry”*

**Presented at the Wine Industry Financial Symposium
September 23, 2008**

**Robert Smiley, PhD
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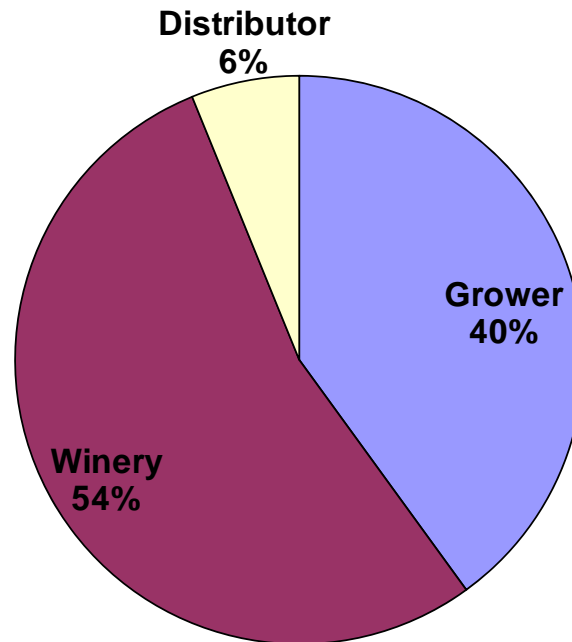
**Alison Crowe
Graduate Research Assistant**

2008 WIFS Survey Respondents by Type

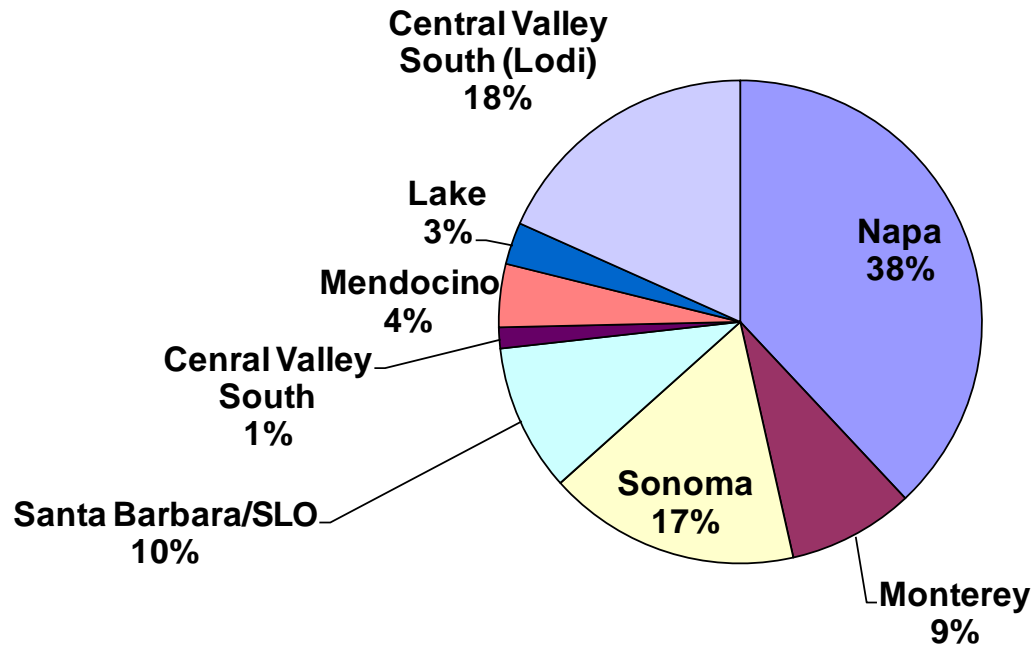
38 Wineries

31 Growers

4 Distributors



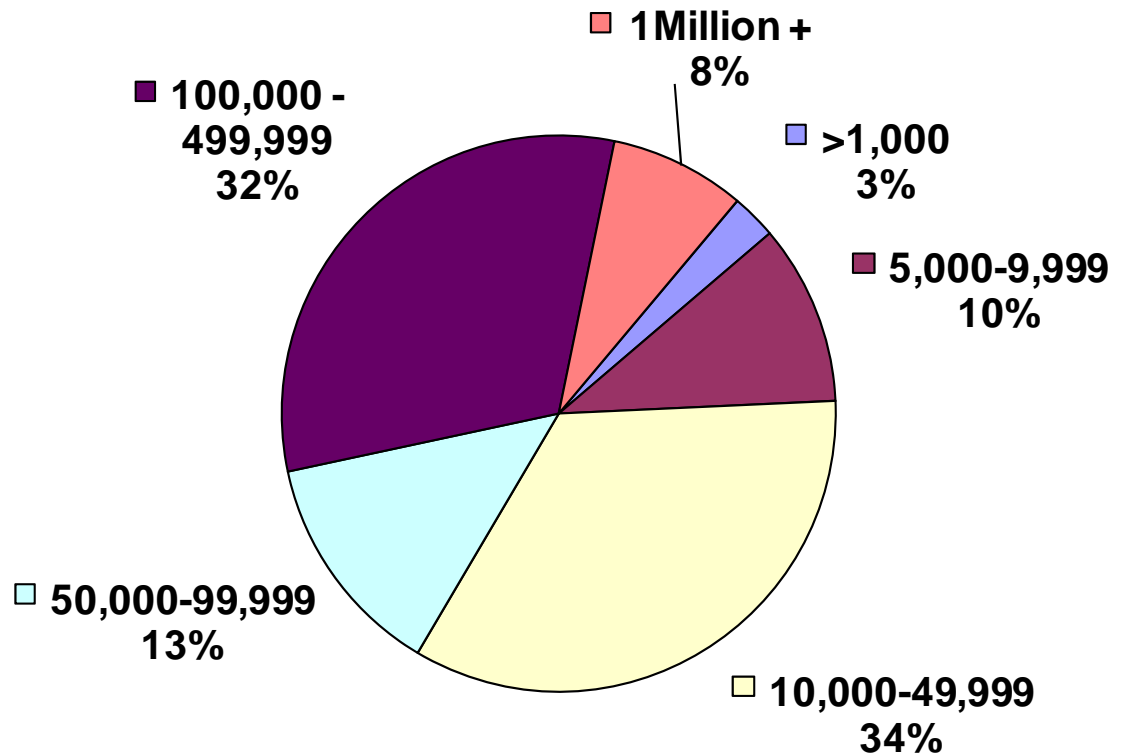
Location of Vineyard & Winery Respondents



73 respondents

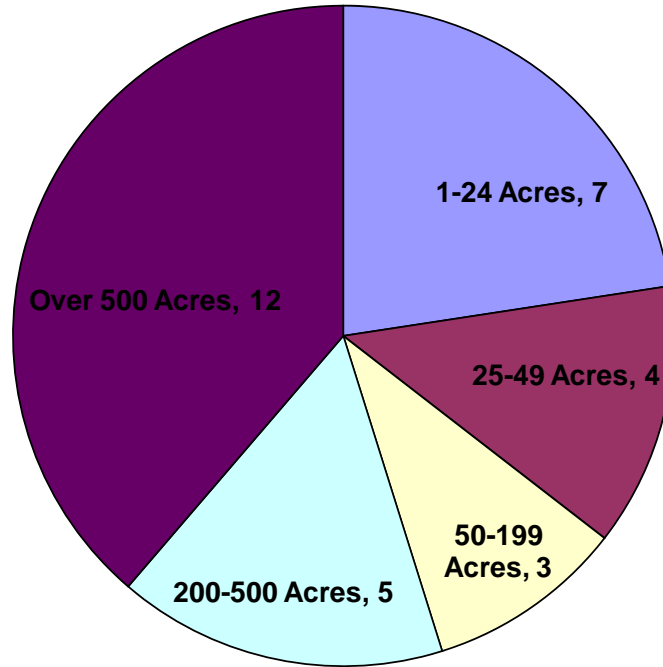
38 Wineries

Winery Size by Case Production

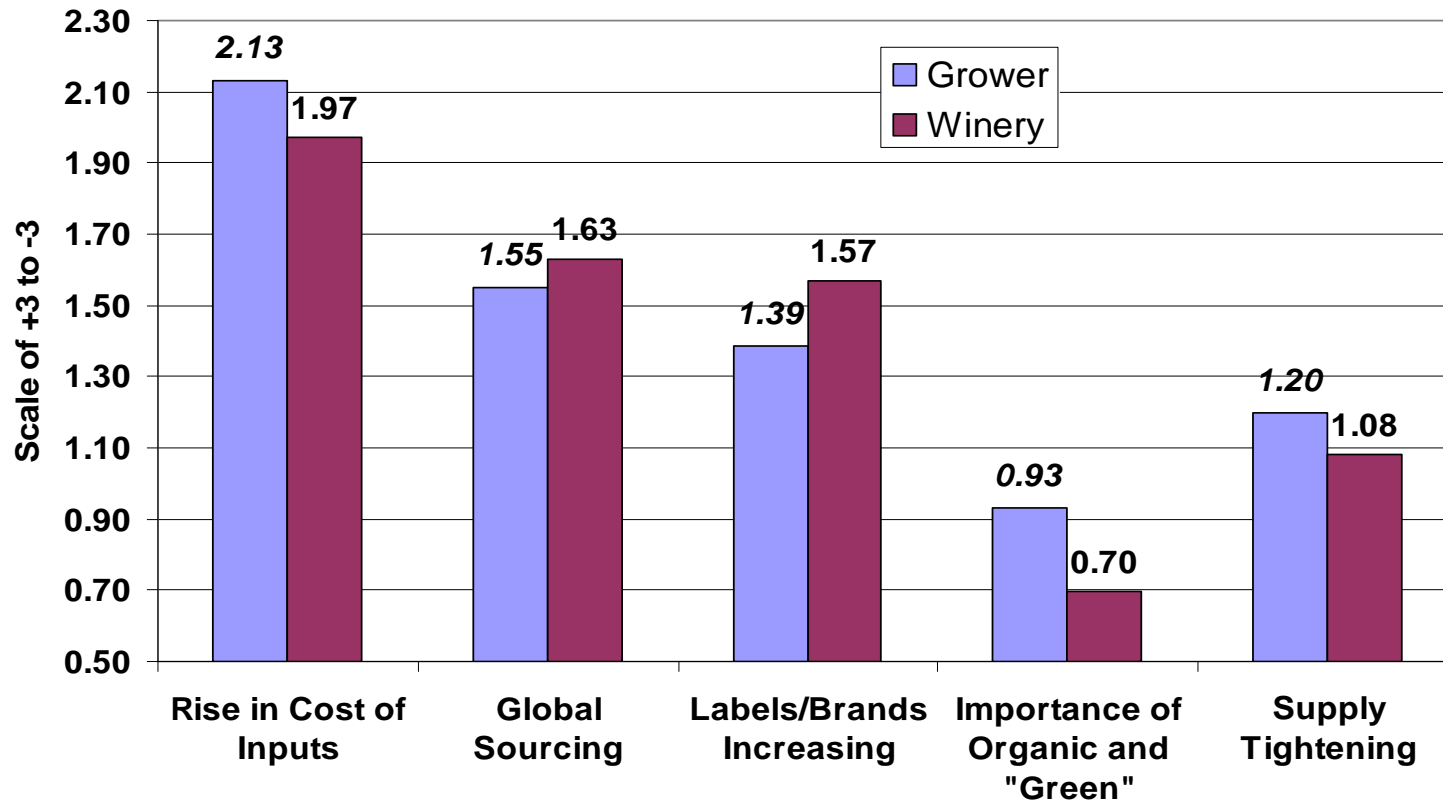


13. 2008 WIFS Acres Owned by Respondents

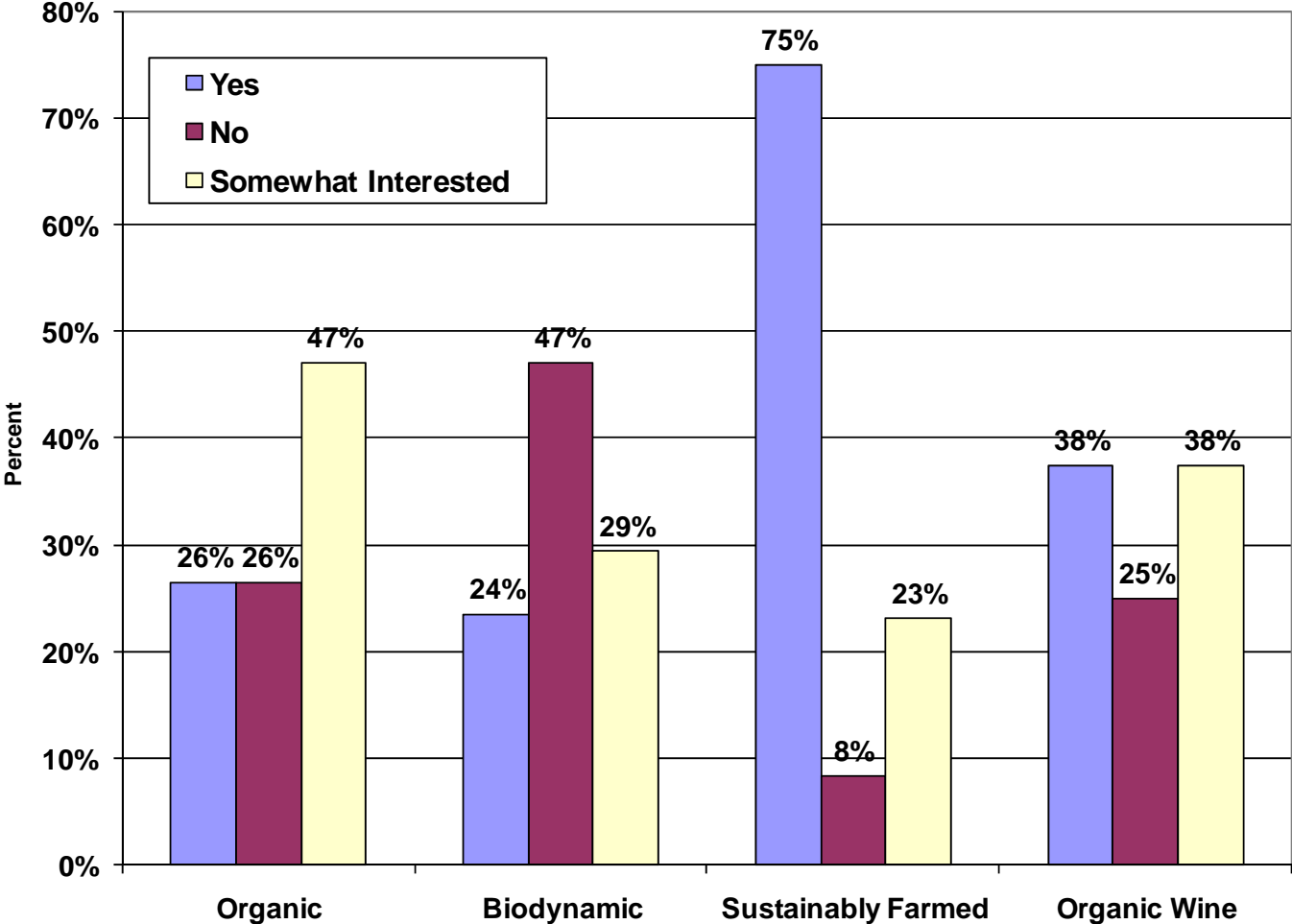
31 Respondents



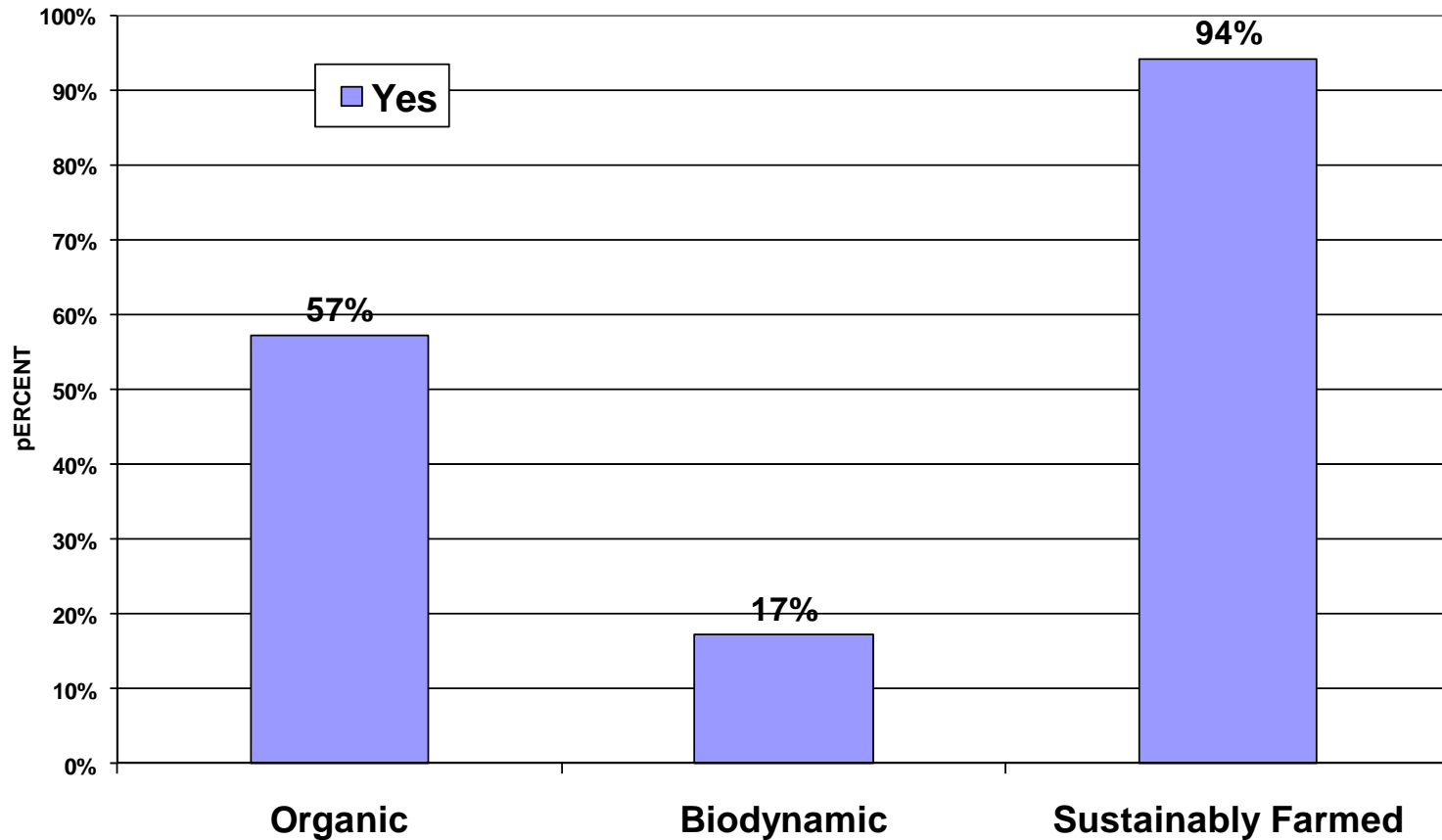
2008 WIFS- How Growers and Wineries Differ on Agreement of Statements on Top Industry Trends



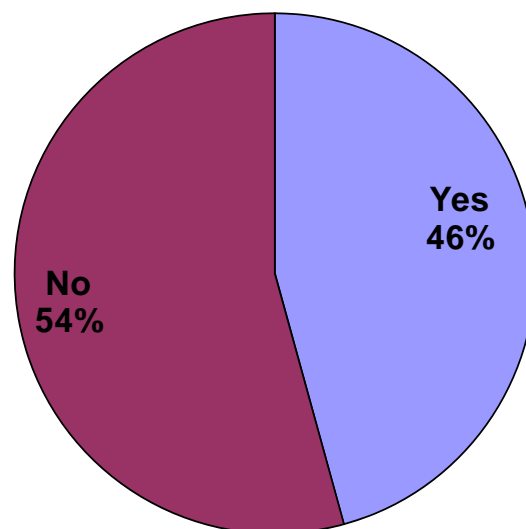
Is Your Customer Base Interest in :



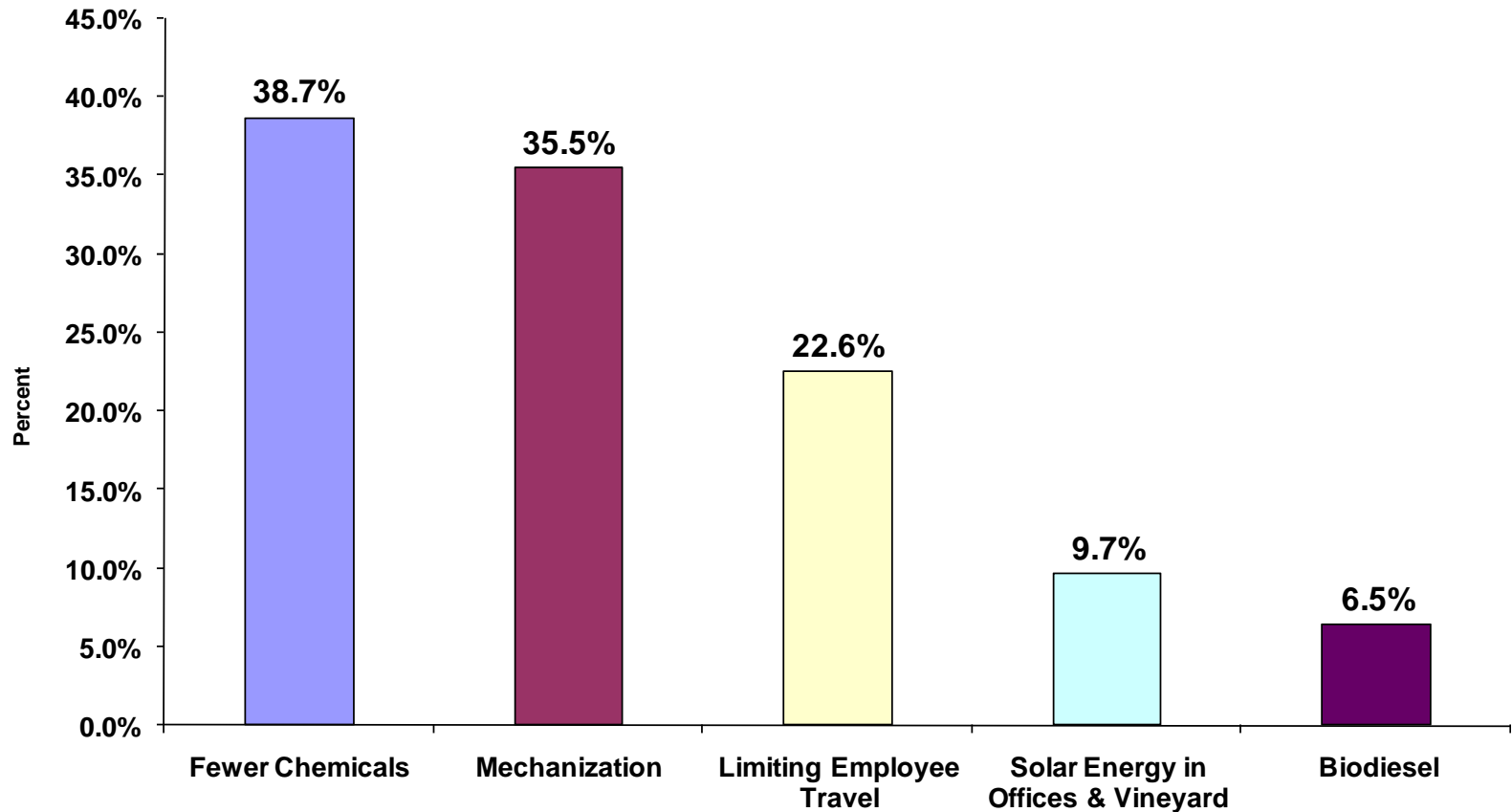
2008 WIFS- Response of Wineries Either Buying Grapes or Farming Acreage



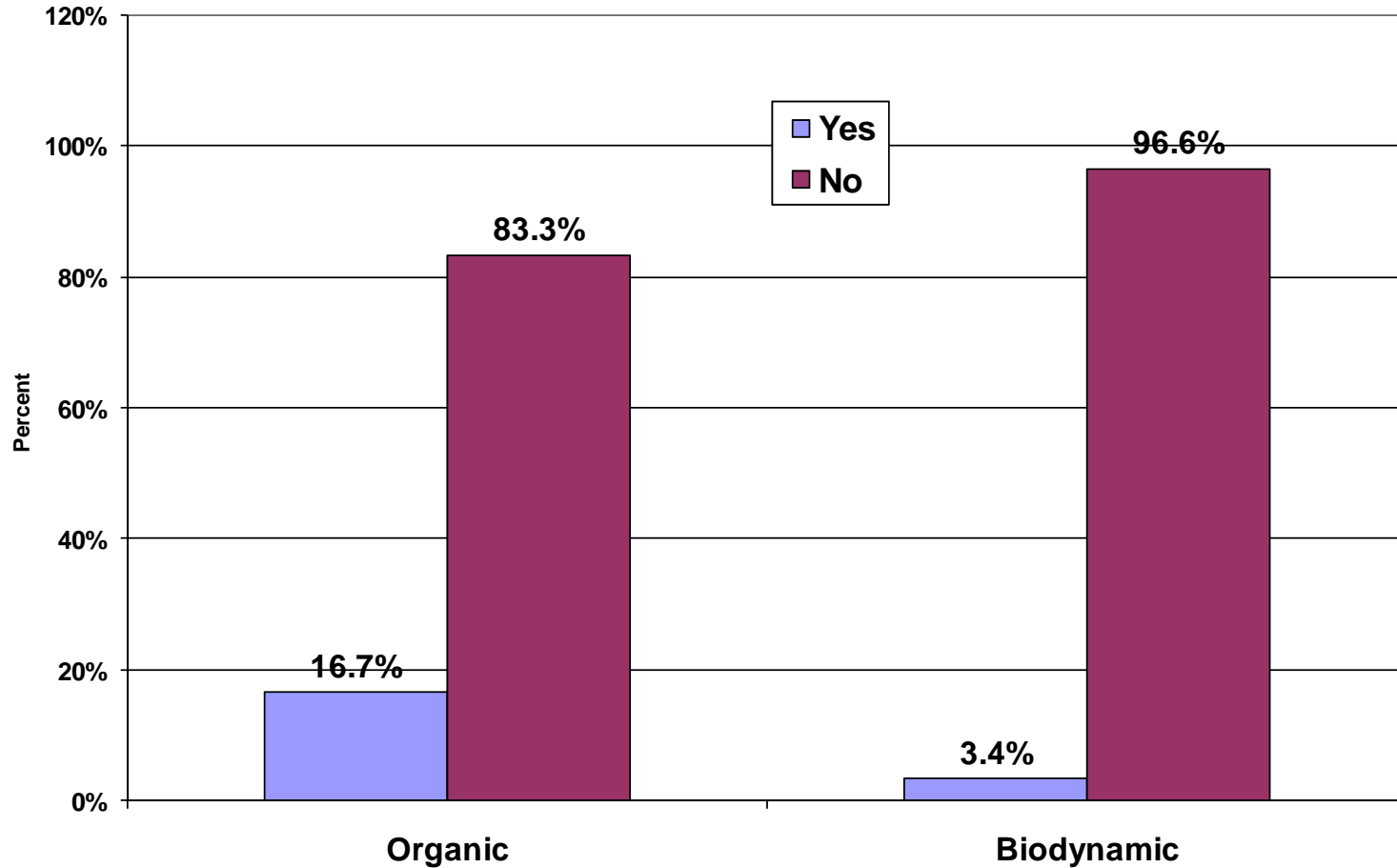
2008 WIFS- Did Wineries Actively Market Wines as Organic, Biodynamic or "Sustainably Farmed"?



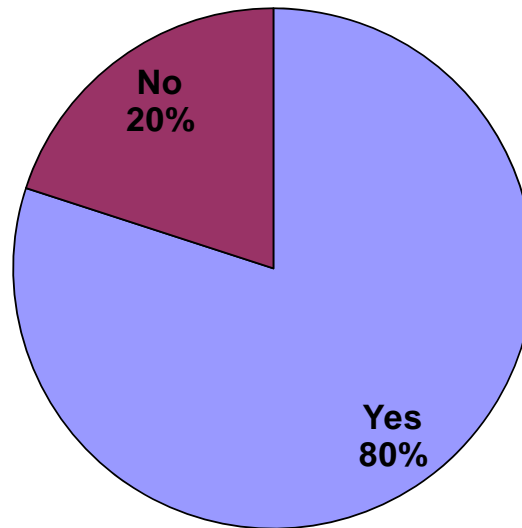
What Growers Are Doing to Mitigate the Rising Cost of Inputs in the Vineyard?



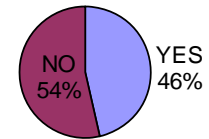
Organically Farmed vs. Biodynamically Farmed



Growers Who Farmed Any of Their Acreage as "Sustainable" in 2008



2008 WIFS- Percent of Grower Respondents Who in 2008 or Will in 2009, Market Their Grapes as Organic or Sustainable to Buyers



CEO Interview Participants

Ted Baseler	St. Michelle Wine & Estates	John Ledbetter	Vino Farms, Inc.
Andy Beckstoffer	Beckstoffer Vineyards	Dan Leese	585 Wine Partners
Warren Bogle	Bogle Vineyards & Winery	Erle Martin	Crimson Wine Group
Jack Cakebread	Cakebread Cellars	Mike McEvoy	Joseph Phelps Vineyards
Dennis Carroll	Purple Wine Co.	Charles Merinoff	Charmer Industries, Inc.
Joe Ciatti	Vintage Wine Trust	Peter Mondavi	Charles Krug/Peter Mondavi Family
Hugh Davies	Schramsberg Vineyards	Chuck Palombini	Kobrand Corporation
Mel Dick	Southern Wine & Spirits	Michaela Rodino	St. Supery Winery & Vineyards
Jose Fernandez	Constellation Wines US	Alex Ryan	Duckhorn Vineyards
Joseph Gallo	E&J Gallo Winery	Tom Selfridge	Hess Collection
Randall Grahm	Bonny Doon Vineyard	Bob Torkelson	Trinchero Family Estates
Clay Gregory	Kendall Jackson Wine Estates	Doug Walker	585 Wine Partners
Chris Indelicato	Delicato Family Vineyards	Scott Weiss	Fosters Wine Estates Americas
Tom Klein	Rodney Strong Vineyards	Warren Winiarski	Stag's Leap Wine Cellars

Interview Questions- CEO Survey

1. Has the current economic downturn affected your business and if so, how?
2. Has distributor and/or winery consolidation affected your organization?
- 3. “Going Green” -what are you doing to address it and are you telling the consumer about it?**
4. Are you concerned about long-term domestic grape supply?
5. What will we be talking about in 5-10 years that we’re not discussing now-what’s on the horizon?

Examples of Green Strategies Employed by Interviewees

- Solar Power
- “Green Action” teams
- Wastewater reclamation
- Lighter packaging
- Recycled packaging
- Fish-friendly farming
- Non-tin capsules
- 1+1 Corks
- Regional teams
- PET bottles
- Biodiversity
- Biodiesel
- LEED certification
- Sustainable
- Organic
- Biodynamic

Defining and Communicating Green: Clarity and Education Needed

- What we find is that there's no good definition and no good understanding between "green", biodynamic, sustainable, organic- so we're trying to come up with a cohesive and meaningful answer to the marketplace. The issue is semantics and we want to be honest and accurate.
- As an industry we do better than most in terms of being kind to the environment, but one of the things that's confusing to the customer is the difference between organic wine and wine made from organic grapes.
- We're not communicating it to the consumer because it's complicated to say what we're doing. When I speak to consumer groups I talk about those things-but it's hard to do that in writing because it's too complicated and takes too much time.

Going Green Makes Good Business Sense

- We've done a lot over the years environmentally because prior to all the publicity surrounding the topic, it really made good business sense, to take care of the vineyards you're farming, and to be careful with wastewater. It's good business sense in a cost sense.
- We find it very important to our positioning and have evidence it's helped sales. We've basically doubled our bottle price to the consumer across the board on the back of this notion that our farming techniques are more costly, more handcrafted, and the consumer is buying it. It's enabled us to increase price and not suffer substantially in volume.

Beware of “Greenwashing”

- We are doing a great deal but we’re waiting to have a big consumer push on it until we have our ducks in a row-the last thing we want to be involved with is what they call “greenwashing,” which is talking green without being green.
- ...whatever you do on the environmental side better be real because eventually someone is going to come along and measure it and they are going to be looking to embarrass people who have made environmental claims that are untrue.

The Industry Does “Green”but doesn't always publicize it

- We have a “green team” here- they're on the same par as our safety committee. We're not really publicizing it to our customers- the point here is to be green, not greedy. OK, sure, we're green, but I'm not going to go out there and pound the drum on it.
- We do stuff for the environment, but it's no big deal. We find that if you start to talk about your environmental efforts, then people say, what else aren't you doing, why aren't you doing this, why aren't you doing that? And the thing is you're never going to win that battle.

Conclusions

- All companies interviewed were actively engaged in a surprisingly large amount of “green business” activity-many have new teams or company divisions devoted entirely to the issue.
- Industry principals acknowledge that “sustainable”, “green” or “low carbon footprint” are unclear terms. Education and clarity are needed to address the consumer desire for information and the industry need for direction and standards.
- Businesses are beginning to communicate their efforts to the consumer but most are wary of “greenwashing”. They want to be truthful and authentic, not just on a green bandwagon.

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