

Direct to Consumer “Strength in Numbers” Tasting Rooms



WITS
WINE INDUSTRY
TECHNOLOGY
SYMPOSIUM

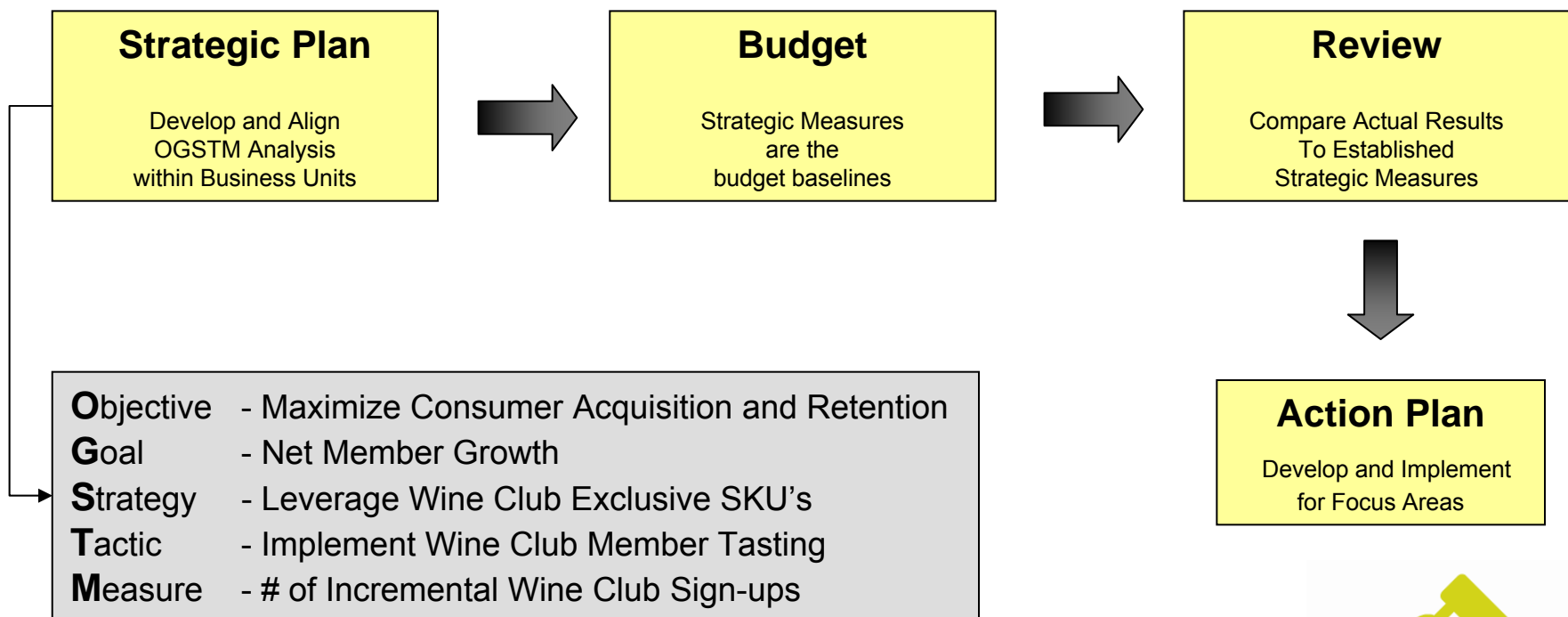
Dan Michael

Marketing Director, Consumer Direct Sales

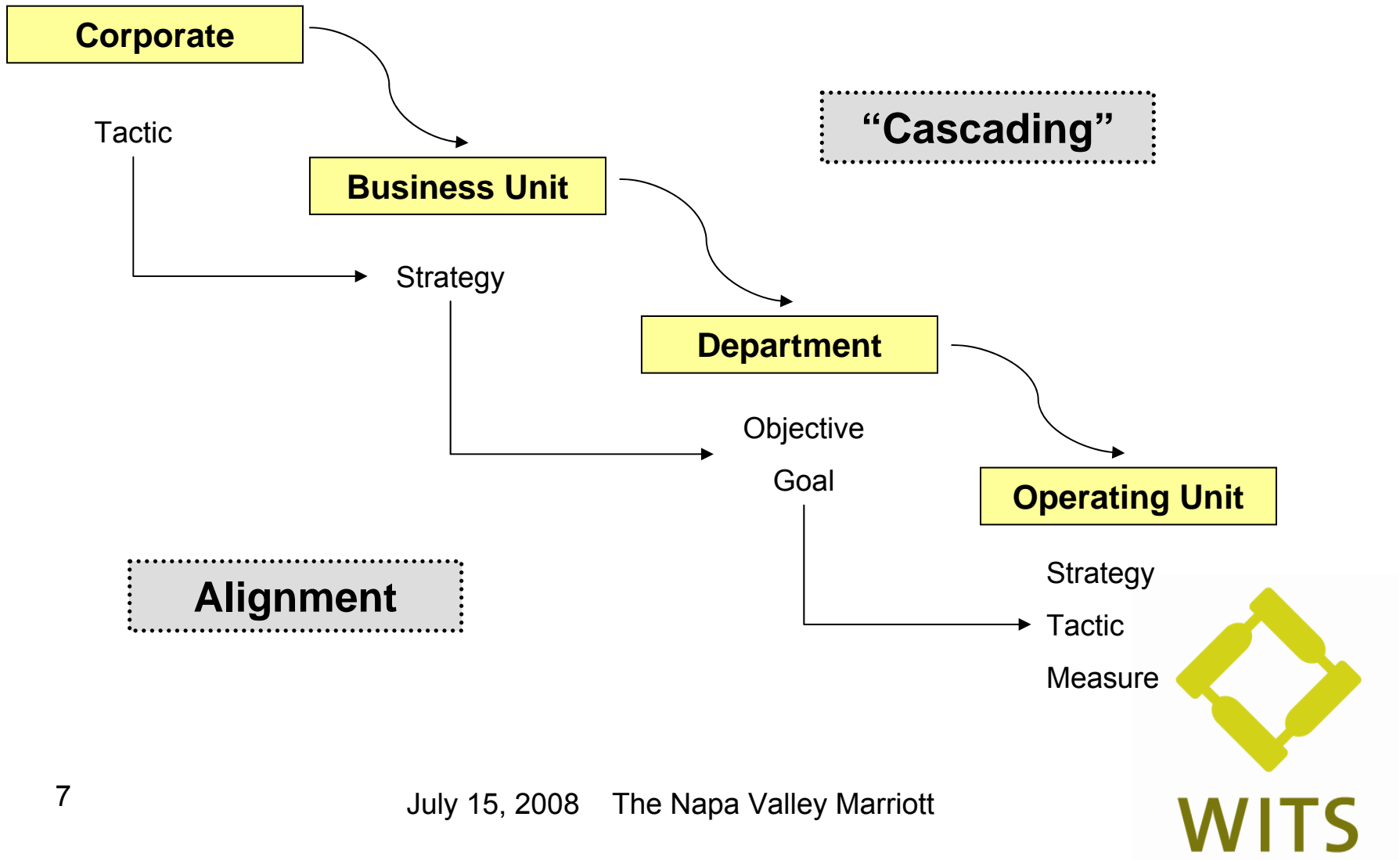
E&J Gallo

July 15, 2008 - The Napa Valley Marriott

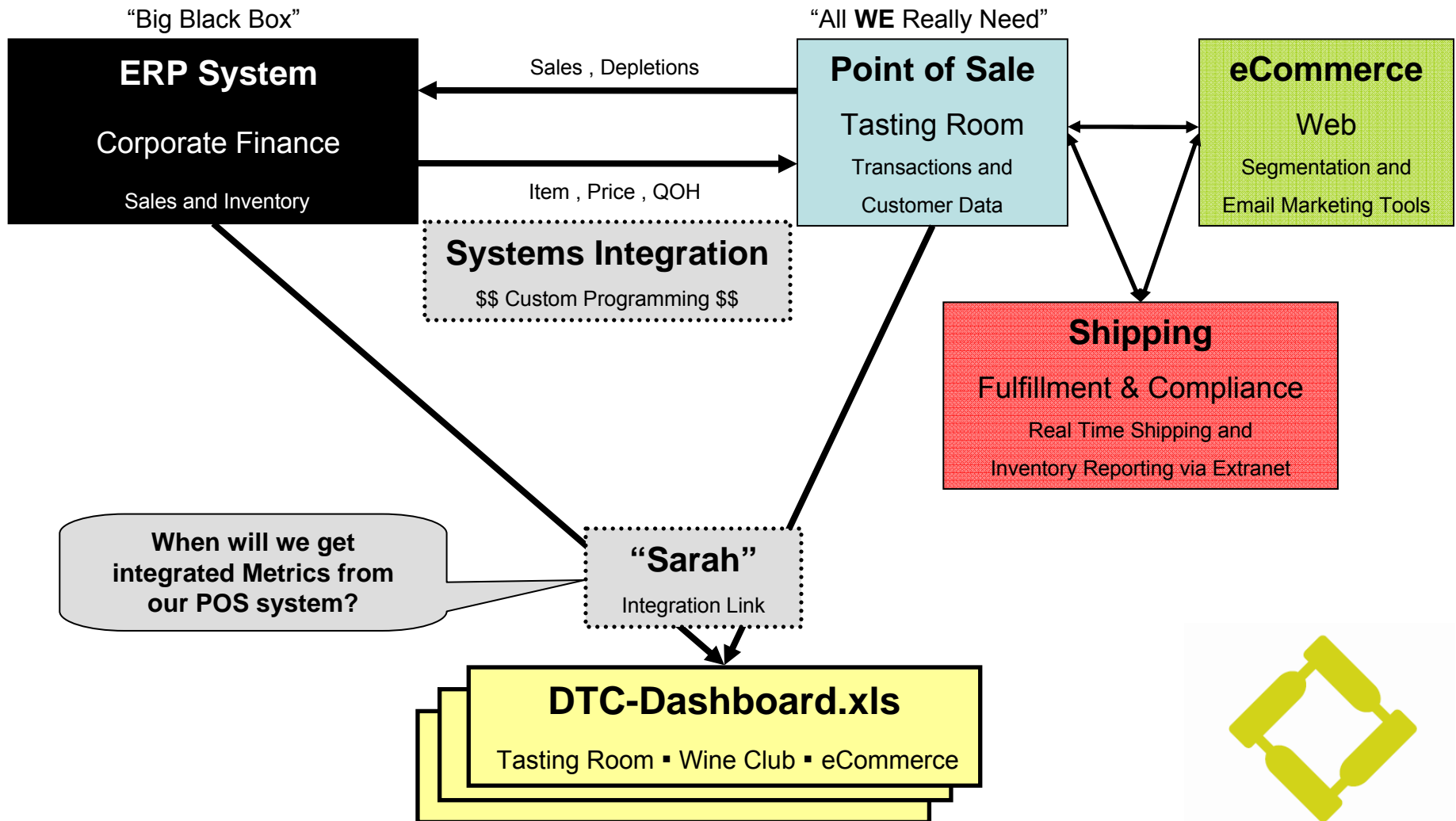
Tasting Room – Management Process



Tasting Room – Organizational Alignment



Tasting Room – Systems and Linkages



Tasting Room – Conversion Ratios per guest (monthly)

- **Transactions** (are reps asking for the sale)
- **Tastings** (is the menu designed to sell)
- **Tours** (are tours actively promoted)
- **Wine Club Acquisitions** (is wine club effectively marketed)
- **Mailing List Sign-ups** (is consumer data being collected)



Tasting Room – Sales Metrics (bi-monthly)

- **Discounts** (% of gross sales)
- **Net Wine Sales** (member vs. non-member)
- **Average Transaction** (excluding club shipments)
- **Tastings Sales Mix** (% of comps)
- **Sales Mix** (by department, category, SKU)
- **Volume** (bottles per guest)
- **Top Performers** (rep, customer, item)



Tasting Room – Shipping Metrics (weekly)

- Shipments (% of transactions, club vs. daily)
- Average Shipment Size (bottles per order)
- Average Shipping Cost (charged vs. comp)
- Pending Orders (% of total, # days pending, reason code)
- Returns (% of total, cost, reason code)



Tasting Room – Retail Metrics (quarterly)

- Sales per Square Foot (benchmark specialized retail)
- Category Management (varietal mix)
- Merchandise Mix (core items, product “engineering”)
- Inventory Turnover (inventory value / annual sales)
- Breakage / Loss (% of net sales)



Tasting Room – Productivity Metrics (quarterly)

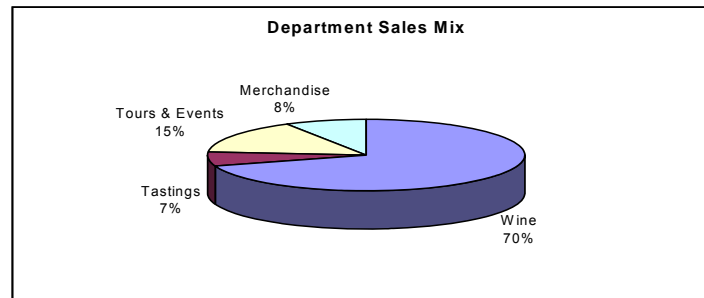
- Acquisition Cost (incentives, comps, discounts, print materials)
- Payroll Cost (per guest, staffing guidelines)
- Operating Supplies (glass, water, crackers, menus)
- Shipping Cost (gross margin)
- Advertising and Promotion (spend per guest)
- Total Overheads (per guest or “exposure”)



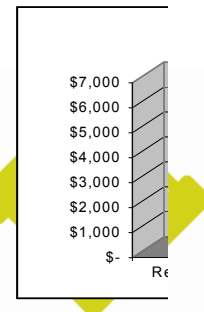
Tasting Room – Dashboard

METRICS	YTD		January		February		March		April		May		June		July	
	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan
2008 Guest Count																
2007 Guest Count																
% Growth '07 --> '08																
Conversion																
Transactions																
% of Guests																
Tastings																
% of Guests																
Tours																
% of Guests																
Wine Club Acquisitions																
% of Guests																
Mailing List Signups																
% of Guests																
Sales																
Discounts																
% of Gross Sales																
Net Wine Sales																
Average Transaction																
Volume																
Bottles per Guest																
Shipping																
Shipments																
% of Transactions																
Pending Orders																
% of Total Shipments																
Returns																
% of Total Shipments																
Retail																
Sales per Square Foot																
Inventory Turnover																
Breakage / Loss																
Productivity																
Acquisition Cost																
Payroll Cost																
Operating Supplies																
Shipping Cost																
A&P Spend																
Total Overheads																

Department	%	Rank
Wine	70.0%	1
Tastings	6.5%	4
Tours & Events	15.3%	2
Merchandise	8.3%	3
TOTAL	100.00%	



Rep	Sales	%
Rep #1	\$ 2,010	10.3%
Rep #2	6,500	33.2%
Rep#3	1,850	9.4%
Rep#4	4,200	21.4%
Rep#5	1,270	6.5%
Rep#6	3,760	19.2%
TOTAL	\$19,590	



Tasting Room – Q: How Do Metric Drive Business?

A: Strategies Drive Business, Metrics Measure the Results

- Align metrics dashboard to strategic plan
- Leverage systems integration for efficient reporting
- Identify frequency of reporting, allocate time for analysis
- Utilize metrics to develop and implement action plans
- And don't forget...

Nothing is More Important than the EXPERIENCE

Our Guests Have in Our Tasting Rooms



WITS