



Michigan

Sanilac FFA Chapter

MI0150

2016

Introduction

Over the last decade, Michigan's wine industry has boomed. Historically, most of the state's grape production has been located in the northwestern part of the Lower Peninsula. However, wine grape production and wine bottling is quickly expanding to other areas of the state in order to meet the needs of wine enthusiasts looking for an interactive experience without the half-day (or more) drive.

You are looking to capitalize on this growing demand with your business, 3 North Vines. Located just off the Lake Huron shore in eastern Michigan, 3 North Vines includes an onsite vineyard, your own bottling facilities and a new tasting room, all at one location and within a short drive of the state's major population centers. You are uniquely positioned to deliver a true farm-to-table experience for weekend tourists and day-trippers to the area. The Sanilac FFA Marketing Team has analyzed your current market conditions and, in the following plan, designed marketing strategies and tactics to increase awareness and foot traffic for 3 North Vines.

Market Analysis

Client's Status in the Current Market

3 North Vines is a small-scale, family owned-and-operated winery. The property was purchased in 2007, with the first grapes planted in 2009 and the winery/tasting room opened in 2014. 3 North Vines is owned by Kristie and Nate Shopbell. Kristie is the business's only full-time staff, while Nate works on the farm part-time in addition to a full-time off-farm job.

The vineyard and winery are located just outside Lexington, Michigan (a small town on the shore of Lake Huron) and sits on the Thumbs Up Wine Trail. The Thumbs Up Wine Trail is an extremely cooperative venture – it's common for people to visit several tasting rooms on the trail in a day or weekend – but 3 North Vines does have some unique attributes. Unlike many wineries on the trail that only make wine from purchased juice or whose winery/tasting room is located separately from the vineyard, 3 North Vines is able to deliver a true "farm-to-table" experience in one location.

In 2015 (the most current fiscal year), 3 North Vines reached gross sales of \$38,000 and welcomed approximately 2,500 visitors to the tasting room, primarily coming from Lexington and nearby areas. All sales were made through the tasting room (no retail store or restaurant sales due to limited licensing). Kristie and Nate estimate that 75% or more of visits to the tasting room result in a wine sale, leading to a desire to increase the number of visitors in the future.

Industry Trends

United States Wine Industry

- U.S. wine sales have grown for 22 consecutive years, reaching \$38 billion in 2015¹
- Direct-to-consumer sales have grown rapidly for the last four years¹
- The U.S. has been the largest wine-consuming nation since 2010²
- There continues to be an increasing trend toward local wine and "wine with a story"⁷

Michigan Wine Industry

- Vineyard area in Michigan has doubled over the last 10 years⁶
- 2,850 acres in Michigan are used exclusively for wine grapes, making Michigan 5th in the nation for wine grape production⁶
- Michigan's 121 commercial wineries bottle more than 2.3 million gallons of wine annually, most of which is made from grapes grown in-state, making Michigan 10th in wine production in the U.S.⁶
- Michigan's wine industry contributes \$300 million annually to the state's economy, attracting more than 2 million visitors each year⁶

Buyer Profile and Behavior

Based on national data and our own survey of 125 potential customers, the typical wine consumer is likely to be a Caucasian female with a college degree, who makes more than \$50,000 annually⁴. The top three wine-drinking generations are Millennials, Baby Boomers and Gen Xers^{3,5}. When looking at the U.S. wine-drinking population, about one-third are likely to drink wine multiple times per week.³ The average price consumers are willing to pay is \$10-15 per bottle of wine and \$5-10 per glass.

Competitive Analysis

Because the wineries belonging to the Thumbs Up Wine Trail form a cooperative venture, participation is mutually beneficial to all. Therefore, we have identified your primary competition as the Traverse City region, which is located in northwest Michigan and is popular among Michigan residents as a wine destination. We have completed SWOT analyses for both Traverse City and 3 North Vines to better analyze strengths, weaknesses, opportunities and threats for each.

Traverse City Region – Competitive SWOT Analysis

Strengths - Well-known for wineries and vineyards - Lots of wineries in close proximity to each other – ideal for weekend bus tours and getaways “Glamorous”, “high-class” wine reputation - Close to other vacation destinations in northern Michigan	Weaknesses - Far away from major population centers (e.g., Detroit, Lansing, Grand Rapids) - Necessity of multi-day trips increases cost of visiting - Can be very crowded in the summer, both for foot and vehicular traffic
Opportunities - Increased national recognition as a wine destination - Improved local and state economy leading to increased tourism - Recognition in the “Pure Michigan” campaign	Threats - Tourism outpaces lodging capacity, driving up visitor costs and limiting availability - Economic recession leads to decreased tourism

3 North Vines – Client SWOT Analysis

Strengths - Close proximity to Detroit-Metro and Lake Huron shore areas - Both vineyard and winery in one location, capitalizing on “farm-to-table” experience - New tasting room - Part of the Thumbs Up Wine Trail	Weaknesses - Area of the state isn’t typically known for wine - Not easily accessible from major freeways - Limited lodging in the area - Limited tasting room capacity - Limited staff
Opportunities - Increased number of wineries in the area leading to increased traffic - Increased Lake Huron tourism - Increased demand for local wine	Threats - Poor grape-growing weather - Reduced tourism to the region due to weather or economic downturn

Primary Research Results

Our marketing team conducted an online survey of Michigan wine consumers representing potential 3 North Vines visitors. Social media was used to promote the survey. One-hundred and twenty-five people responded. The demographics of these respondents were:

- 90% female; 10% male
- 53% Millennials, 33% Gen Xers, 14% from other generations

Key findings:

- Getting Information**
 - When learning about new activities to do in their spare time or when hanging out with family and friends, more than 80% use recommendations from their network (word-of-mouth) and more than 75% use recommendations from social media
 - Facebook is the primary social media platform used, followed by Pinterest, Snapchat and Instagram
- Visiting a Winery**
 - 69% of respondents have visited a Michigan winery in the past
 - Of those who hadn’t, 84% would consider it.
 - The primary reasons cited for not having visited include a perceived lack of time, never having thought about visiting a winery and low awareness of winery options.
 - 85% would drive 30 miles or more to visit a winery; 51% would drive 50 miles or more

A full breakout of research results can be found in your appendix.

Business Proposal

Mission Statement

3 North Vines provides customers with an unmatched farm-to-table winery experience, founded on the production of locally-sourced, high-quality wines.

Key Planning Assumptions

- The demand for high-quality, locally-produced wine will continue to increase.
- Michigan will continue to have a strong reputation for producing quality wines.
- The Lake Huron region of Michigan will continue to be a popular tourist destination for those seeking single-day excursions.
- 3 North Vines will need to be able to execute the majority of marketing tactics with existing staff for the foreseeable future.

Short- and Long-Term Goals

By the end of year one, 3 North Vines will:

- Increase traffic to your tasting room from 2,500 to 4,000 people
- Achieve gross sales of at least \$60,000 (includes sales of wine, wine tastings, events and wine accessories)
- Establish a baseline level for current brand awareness.

By the end of year three, 3 North Vines will:

- Increase tasting room traffic to 6,400 people throughout the year
- Achieve gross sales of \$97,000
- Increase brand awareness by 10%.

Target Market

3 North Vines will target wine consumers, primarily women, who live within 100 miles of Lexington and who have a household income of \$50,000+. This audience is looking for a fun activity to do with friends or family (perhaps for a “girls’ day” or couple’s outing) and would enjoy high-quality, locally-produced wine and the full farm-to-table winery experience – all with the added benefit of being able to visit and make it home in a single day.

Strategies and Action Plan

Product

3 North Vines provides a taste of Europe, right here in Michigan. Not only do visitors obtain a great experience, they also get to choose from a variety of 10 wines, including:

- | | |
|--|--|
| • <i>Vidal Blanc</i> , sweet white | • <i>Demillon</i> , dry white |
| • <i>Riesling</i> , sweet and semi-sweet white | • <i>Fool Me Once</i> , semi-sweet blush blend |
| • <i>Lucky Shoe</i> , semi-sweet white blend | • <i>Pinotage</i> , dry red |
| • <i>Seyval Blanc</i> , semi-dry white | • <i>Pinot Noir</i> , dry red |
| • <i>Albarino</i> , semi-dry white | |

In addition to wine, 3 North Vines hosts 10-15 ‘pairing’ events each year, such as their Wine & Chocolate and Wine & Art events. With a facility that comfortably holds up to 50 people, intimate relationships can be built and memorable experiences can be created for customers. The winery also offers a variety of retail wine accessories for purchase.

Price

A bottle of wine ranges from \$17.00 to \$24.00. Wine-tasting is priced at \$5.00 per person. Event pricing varies, but is often in the range of \$20–\$40 per person. The price of retail wine accessories varies.

Place

3 North Vines is located on 35 beautiful acres of rolling hills, dotted with three ponds and glimpses of Lake Huron. It is located right on M-90, only two miles east of Croswell and four miles west of Lexington.

Promotion

Recognizing that visits to the tasting room are the best driver of sales, we have designed a promotional plan aimed at increasing brand awareness among your target audience in order to increase winery visits. We have segmented these tactics – 1) Digital and Social, 2) Visual Cues, 3) Traditional Advertising and 4) Events.

Digital and Social

Based on research, your target audience is using social media to communicate and learn about weekend activity options.

Social Media

- Continue to leverage existing Facebook and Twitter accounts
- Start an Instagram account to leverage 3 North Vines’ great visual content.

- Instagram content can also be used on Facebook.
- Social media content should include promotions, updates from the winery, trivia, photos and videos.
- Use relevant hashtags where possible to increase searchability of content.
- Leverage ‘promoted posts’ feature on Facebook to increase impressions.

Direct Marketing

- Leverage email list of nearly 500 previous and prospective visitors to send a monthly e-blast from May through October, promoting new wines, winery activities and special events.

Website Promotion

- Hire a freelance search engine optimization (SEO) specialist to optimize your existing website for organic search traffic.
- Initiate Google AdWords to raise the profile of 3 North Vines in Google search.

Tourism Website Listings

- Maintain listing on popular travel destination sites, including Pure Michigan, City of Lexington, Drink Michigan, American Winery Guide, BlueWater.org and Trip Advisor.
- Invest in a listing on additional tourism sites, including VisitEastMichigan.com and VisitDetroit.com.

Visual Cues

Currently, a lack of eye-catching signage is hindering your ability to draw local and drive-by visitors.

Curb Appeal

- Create eye-catching signage and landscaping at the vineyard entrance to draw the attention of people driving by.
- Explore opportunities to improve and/or expand your current parking area to make it easier for visitors to see and navigate.

Roadside Signage

- Place 3 North Vines on a Pure Michigan sign along M-25 south of Lexington to capture northbound vacationers.

Advertising

There is a sub-set of our target audience that is already visiting or planning to visit the Lake Huron shore region, but may not be aware of 3 North Vines.

Print Advertising

- Place print advertisements in the Lexington Area Official Vacation Planner and *Michigan Wine Country* magazine (magazine placement is part of wine trail membership).

Display

- Develop promotional flyers and posters that can be placed at local businesses, bed and breakfasts and hotels.
- Distribute Thumbs Up Wine Trail brochures to area businesses (design and printing is part of wine trail membership).

Events

Events are a great way to give visitors a taste of your wine while they have fun with friends and family.

Pairing Events

- Continue existing pairing events, leveraging social media, email lists and your website to increase awareness and registration.

Wines of the Thumb Taste Fest

- Continue to participate in this event as part of your Thumbs Up Wine Trail membership. Leverage digital and social channels to promote your attendance prior to and following the event, including pictures and video.

Farm-to-Table Dinner

- In year three, partner with local farmers in the area to host an elite farm-to-table event. Leverage your social networks, email list and website to promote the event to past and potential visitors. Invite local media to participate and, ideally, provide follow-up coverage.

Position

3 North Vines is the must-do activity for wine enthusiasts looking for an exceptional farm-to-table vineyard and winery experience within a short drive of home.

Budget			
	Year 1 (2017)	Year 2 (2018)	Year 3 (2019)
Income			
Wine Sales	\$47,500	\$59,375	\$77,188
Event Sales	\$10,000	\$12,500	\$16,250
Non-Wine Retail Sales	\$2,500	\$3,125	\$3,625
Total Gross Sales	\$60,000	\$75,000	\$97,063
Operating Expenses			
Packaging	\$3,000	\$4,245	\$5,525
Raw Materials	\$13,000	\$15,550	\$20,215
Wholesale Wine Accessories	\$1,250	\$1,562	\$1,812
Utilities	\$2,400	\$3,600	\$3,600
Insurance	\$1,000	\$1,000	\$1,000
Rent	\$8,000	\$8,000	\$8,000
Capital Purchases	\$8,000	\$8,000	\$8,000
Total Operating Expenses	\$36,650	\$41,957	\$48,152
Marketing Expenses			
Wine Industry Memberships	\$650	\$650	\$650
Tourism Site Listings	\$425	\$225	\$225
Advertising and Visual Cues	\$3,000	\$1,565	\$1,765
Social Media	\$100	\$200	\$300
Search Engine Optimization	\$1,200	\$600	\$600
Google AdWords	\$1,000	\$1,000	\$1,000
Events	\$3,000	\$3,750	\$6,350
Direct Marketing	\$50	\$60	\$75
Total Marketing Expenses	\$9,425	\$8,050	\$10,965
Net Income	\$13,925	\$24,993	\$37,946
Return on Investment	30.22%	49.98%	64.19%

Evaluation			
	Reach 6,400 annual visitors	Achieve gross sales of \$97,000	Increase brand awareness by 10%
Means of Analysis	Evaluate sales transactions to estimate total visitors.	Review fiscal year sales receipts for all three revenue streams.	Conduct semi-annual survey to determine brand recognition.
Goal Exceeded	Expand marketing strategies to penetrate target market further.	Continue marketing and sales strategies while increasing product and customer range in Michigan.	Continue expanding customer base and strengthen relationships with current customers.
Goal Less than Expected	Assess marketing strategies to identify the most effective tactics, and invest in expanding those.	Re-evaluate marketing strategies to reach an expanded customer base.	Identify additional promotional tactics to increase brand awareness.

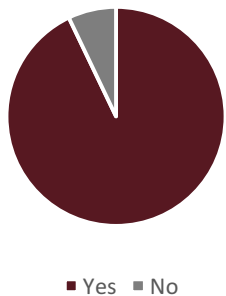
Conclusion

3 North Vines combines two unique benefits for your target audience – “farm-to-table” vineyard and winery experience in one place, plus a convenient location that is ideal for day trips. Based on this plan, we are confident that 3 North Vines will meet your outlined objectives and continue to make your winery and vineyard a must-visit destination, pouring customers a wonderful experience and an even more superior glass of wine.

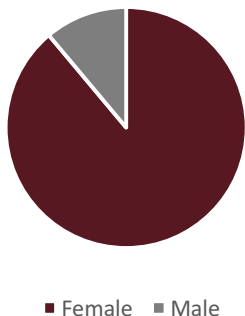
APPENDIX

Primary research (n=125)

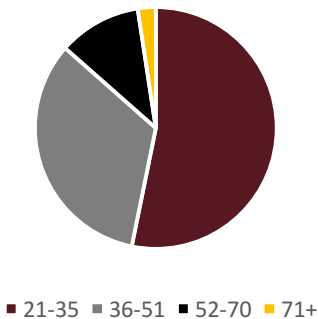
Do you drink wine?
(qualifying question)



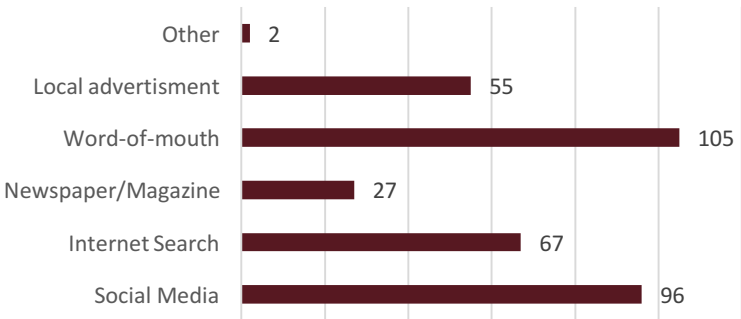
Gender



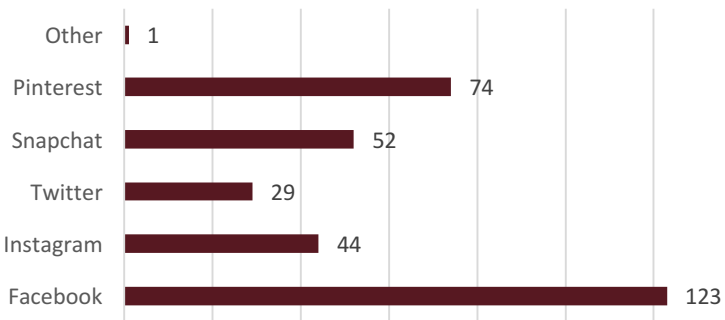
Age Distribution



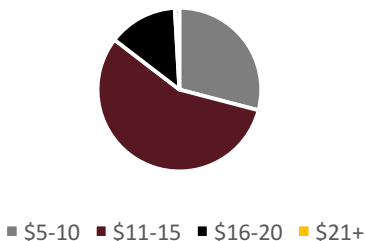
How do you find something new to do?



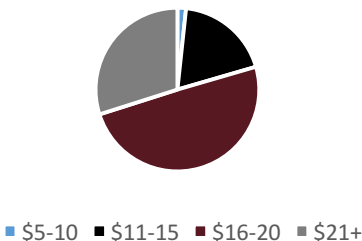
Social media networks used at least once/week



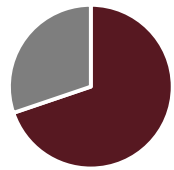
What is the average price you pay for a bottle of wine?



What is the maximum price you are willing to pay for a bottle of wine?

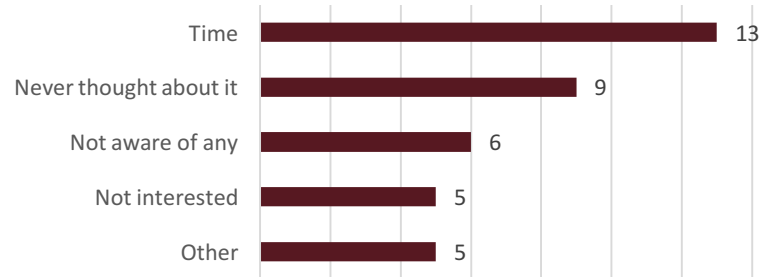


Have you ever visited a Michigan vineyard/winery?

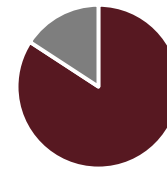


■ Yes ■ No

If you haven't visited a Michigan winery, why not?

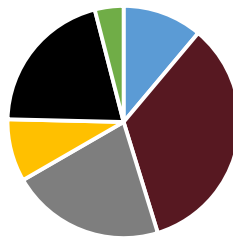


If you haven't visited a Michigan winery, would you consider it?



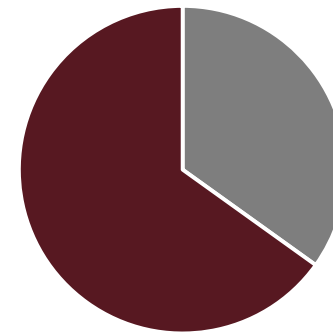
■ Yes ■ No

What is the maximum distance you would drive to visit a winery?



■ 0-25 miles
 ■ 26-50 miles
 ■ 51-100 miles
 ■ 101-150 miles
 ■ More than 150 miles
 ■ I have no interest in visiting a winery.

Have you heard of 3 North Vines Winery and Vineyard?



■ Yes ■ No

References (part 1)

1. Gordon, J. (2016). U.S. Wine Sales Total \$38 billion. *Wines & Vines*, Jan. 15, 2016.
2. Wine Institute (2016). California Wine Exports Set Record in 2015: Worldwide Demand Grows, Despite Strong Dollar. *Wine Institute Website*. Feb. 25, 2016.
3. Gillespie, J. (2016). Overview of US Wine Industry. *11th Annual Wine Market Council Research Conference on U.S. Wine Consumer Trends*. Jan. 25, 2016. New York, NY.
4. Nielson Spectra (2015). *The US Wine Consumer Report*.
5. Capella, Mike. "Millennials Drive US Wine Consumption." *Distribution Property Solutions*. N.p., 14 July 2014. Web. 14 Mar. 2016.
6. "Fast Facts." *Michigan Wines*. N.p., 2015. Web. 20 Mar. 2016.
7. Parham, Kate. (2016). 2016 Wine Trend Predictions. *Coravin Blog*, Feb. 16, 2016.