



Colorado Market Analysis

Aaron Steinke

Introduction

A market Analysis and in depth conversation about the necessary steps to improve logistics and marketing, to better secure product placement in the Colorado market.



BIO – Aaron Steinke

President and owner of Estate Brands Distributing Company

Owner, founder and managing member of Colorado Vodka Company (CVC Vodka)

Board Member, for Colorado Wine Industry Development Board

**Attendee for Liquor Advisory Group
(Rules and Regulations)**

26 years of working as as wholesaler, importer, supplier, and broker in Colorado

Currently owns, with his wife, Brittany, a medium sized local, family run wholesaler that services close to 3000 accounts throughout Colorado, and works daily with local, national, and international brands, suppliers, importers, distilleries, and wineries.

Born and raised in Colorado

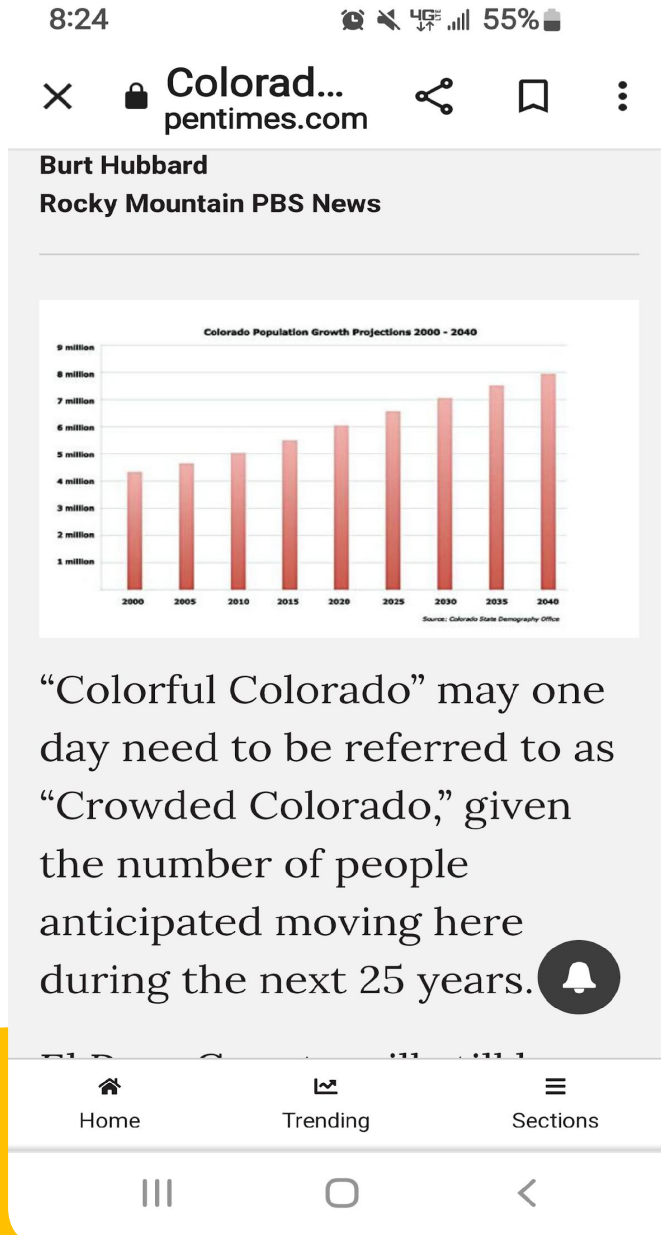
**ON and OFF
Premise
Placement
Plan:**



A. Overview of Front Range Market

1. Outskirt markets vs Urban center markets
 2. stats: 207 distributors/304 beer licenses/roughly 14,500 liquor licenses state-wide
- ([SBG.Colorado.Gov/January 2023](https://www.sbg.colorado.gov/))





A) Urban Centers: towns/cities

Colorado Springs, Denver Metro, Boulder, Fort Collins

60% of concentration for on and off premise sales

B) Mid-range Centers: towns/cities

Highlands Ranch, Castle Rock, Aurora, Lakewood, Littleton, Loveland, Longmont

30% of concentration for on and off premise sales and growing (but this the future)

C) Outskirts: towns/cities

smaller towns in-between and around the mid range centers

10 % of concentration for on and off premise sales and growing (but this is the future)

RETAILERS

Urban Centers:

often larger stores including chain and independent

Whole Foods, King Soopers, Safeway, Target, Natural Grocers, Total Wine and More, Costco=chains with multiple locations

Argonaut, Applejack, Total Wines, Bevy's, DaveCo, Lukas, Molly's, etc=independents (often with multiple locations)

(THIS IS EVER CHANGING WITH NEW STATE LAWS)

Outskirts:

smaller independents with a few chains in the community-family run, smaller to medium sized (hundreds of local, small, family run retailers)

RESTAURANTS/BARS:

Urban Centers:

A healthy mixture of national chains, regional chains, local chains, local independents of large to medium size and smaller, family run local independents

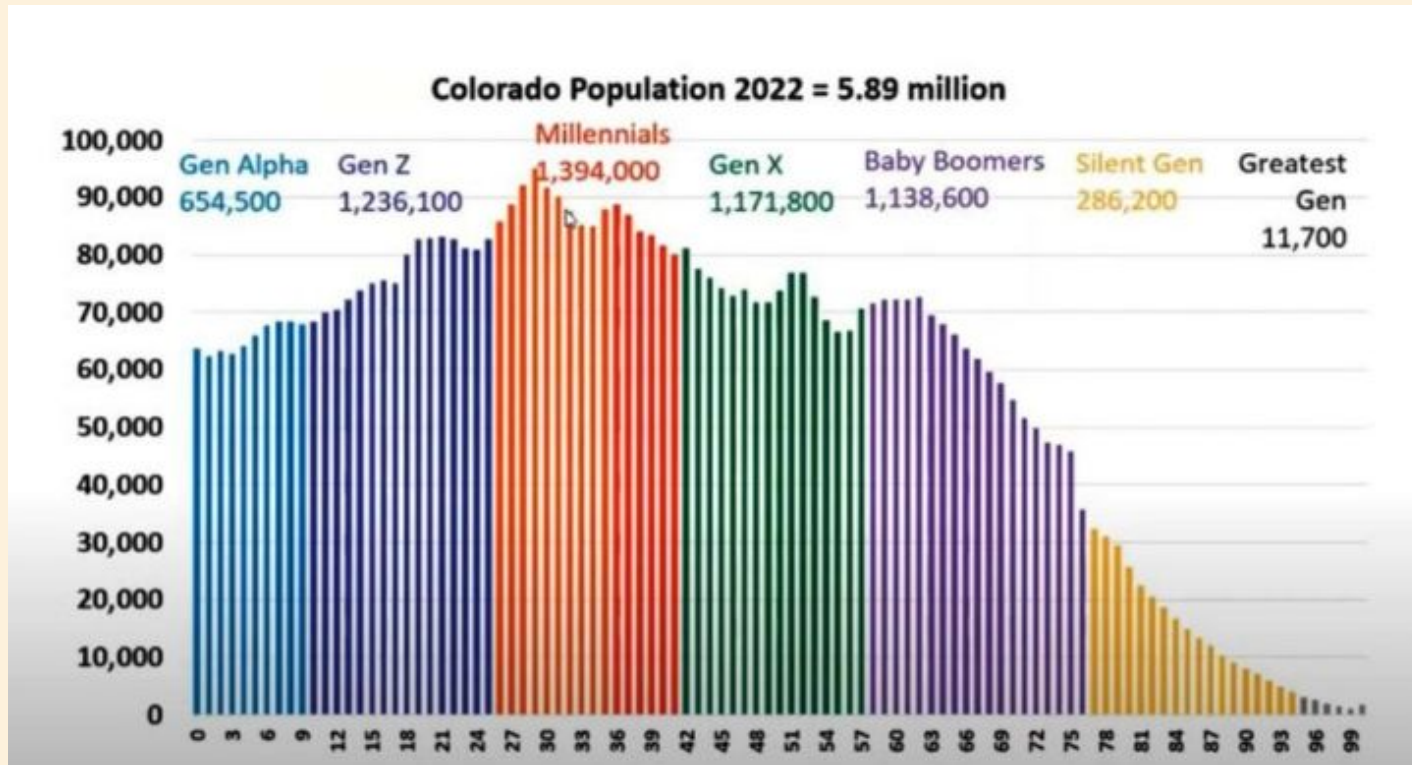
Often, even the larger chains have the ability to offer specials, or have a sliver of room on their menu for a local selection, so good opportunities for smaller wineries

Outskirts:

Often smaller to medium-sized family run local independents with one location, possibly two depending on the history

many of these locations depend on larger wholesalers or to logistic to get them routine delivery, but...many do have more empathy for fellow small business as well, so good opportunities for smaller wineries

COLORADO POPULATION



This breakdown of Colorado's population of 5.89 million was prepared by the state demography office of the Colorado Division of Local Government

Competition for placements in retail and restaurants

A) Who are the people buying the wine, who is dictating the way the shelves and menus are created?

1. Equally spaced population more or less, between Z, Millennial, X and Boomer=nostalgia, tendency to take chances balanced with tradition, relatively good income and willingness to spend going out and on home bar, active and overall healthy life style)=healthy

B) RETAIL AND RESTAURANT: demand drives space on shelves and menus-SO...ARE COLORADO CUSTOMERS ASKING FOR COLORADO WINES?

LOCAL PRESS

LITTLETON, CO – Colorado winemakers are still fighting for recognition from many oenophiles in their home state, but several say 2022 was a year when they turned a corner and won deserved attention.

That measure of success came for some of them in record sales, and it came for others in the greater portion of younger and more experimental local drinkers stopping in to their tasting rooms. But a key measure as well is the way that crowds are edging away from traditional California styles of wines that they produce and more toward uniquely Colorado grapes or even bolder creations that show they are no longer your father's Napa-facing devotees.



There is news of an upward trend in sales but there is still little to NO Representation at top retailers or restaurants in the FRONT RANGE-WHY?

1) Accessibility- Customers need to know they can order and re-order with no issue and that the winery will not run out of stock (becomes a logistics concern)

(so local warehousing, local representation, set logistics for delivery, and communication is needed)

2) Competitive price points-Customers need to find value and an advantage to push Colorado wine as they need any advantage to help convince their end user to try something new!

(Colorado Pinot vs French Pinot, Colorado Cabernet vs California Cabernet...etc etc..how do they stack up, what are the price advantages)

(Colorado wineries need to determine if they can first, create an affordable label that they can sell at volume, and give the customer a reasons to want to purchase in volume)-and they can use these “DRIVER BRANDS” in combination with their other higher end price point offering. This might not be the desire for a lot of wineries.

3) **Better label designs**- often a deterrent that retailers and restaurants mention is that the labels do not match the price point they are demanding

Simple is often better

Looking past 1980's/1990's feel to the logo

Important info added the correct way

Please, no stickers or points on the bottle

Screw cap vs cork-discussion

The correct shaped bottle for the correct varietal

Competitive vintages (please no old vintages)

Transparency on origin of grapes

List total production (it's a selling point)



4) Action AFTER the sale:

- 1. Staff educations
- 2. Bar spends and promotions (need a budget)
- 3. Posters, shelf talkers, one sheet info drop offs for staff
- 4. Contingency plan for any spoiled wine or damaged labels
- 5. Wine keys, gear for staff that LOOKS good and is made well



6) Logistical hurdles to be addressed:

**Physically Getting from winery to the retailer/restaurant in a traditional model
(What is the best way for moving wine from origin to the front range...
as the Mountains don't make it easy...
and for the front range wineries,
what is the best and most cost effective way to get wine delivered to accounts)**



- a. Outsource a 3rd party delivery company
- b. Hire a wholesaler who covers the market and coordinate shipments to their warehouse
- c. Pool resources and rent a storage facility in the front range/pay for driver
- d. Handle deliveries in house on your own



b. Options for assistance in marketing/logistics

1. **Brand Ambassador** - a part time to full time worker that markets and sells one label to a collection of labels as part of their portfolio. They often are paid a small salary with a commission based on their sales or a bonus based on their progress.

Advantages: often less of an investment, more flexible on both ends of the agreement, often work as independent contractors, but can help get new placements and leverage personal relationships to assist in sales.

Disadvantages: often not as much coverage, not as much focus on pure sales, and more dependent on marketing so harding to track ROI.

2. Broker/Importer - often a more established style of representation that involved a collection of different portfolios, consisting of wines, spirits, etc who works as a middle person between the winery or distillery, and a wholesaler. Their job is to go out, make placements, educate, offer support after the sale, and improve customer service...light a fire under the Wholesaler's you know what :)

Advantages: often more of a network of accounts and relationships with more of a focus on sales, although still not the best ROI if looking for pure sales. Your products can be included in larger tastings and presentations and the broker is in charge of making sure the winery is being represented and properly sampled with whatever wholesaler is selling the wines.

Disadvantages: cost-they are not cheap and still need guidance and some follow up to make sure they are properly represented the wines they are supposed to be. Some less than honest brokers will not work the market much and collect the commissions based on the wholesaler sales...so need to find the right broker.

3. **Wholesaler**-a distributor who has a warehouse location to store product, employees who inbound product and maintain the warehouse, supporting staff to create POS, materials, etc and sales reps who go out in the market and sell items from their portfolio in set territories.

Advantages: often the most organized traditional model, with set territories in place, clean cut representation with sales reps in each territory, and set protocol and rules for delivering. THEY deal with picking up money, transportation of product, and will work on marketing and sales ideas with the winery to help better promote the wines, as a team.

Disadvantages: there are currently 207 registered wine and spirits companies in Colorado (SBG.Colorado.Gov/January 2023) so you need to pick the right one.

- a. what area do they cover?
- b. how big? Too big where you will get lost?
- c. how small? Too small that they are not effective?
- d. what do they specialize in?
- e. would you be crowded in the portfolio?
- f. how educated in the staff?
- g. do they specialize in smaller producers?
- h. will they put in a PO and then sit on it?

SevenFifty: 6 Wine Industry Trends to Watch in 2022

"Faced with rising prices, shipping delays, and limited inventory, buyers will increasingly be forced to look beyond the usual tried-and-true options. While that's bound to create no shortage of headaches, Christopher Struck, the beverage director for ilili's New York and Washington, D.C. locations, predicts that the situation will incentivize restaurants to turn to boutique wholesalers that carry alternatives to the usual large brand names.

"In my experience, smaller distributors will be more inclined to hustle and get you what you need," explains Struck. "They also tend to work with independent, conscientious growers that better align with my ethos as a buyer."

- A. Supply Chain Issues=benefit
- B. Natural wine expansion Sparkling Wine
- C. Rise in E-commerce
- D. More Experimental BTG programs=benefit

c. Strength in Numbers to access KEY markets

- 1. Collectively renting a tasting room in front range (agree on featured wineries that rotate each month)**
- 2. Renting space for storage in front range (share the cost of keeping product close to the venues you are servicing so there is instant inventory)**
- 3. Collectively paying for uniform POS, posters, shelf talkers, and even further..branding collectively:**

“Rhône of the Rockies”...work together not separate!



RESTAURANTS & RETAILERS will expect:



1. Inventory to be consistent
2. POS to be available and accurate and look good
3. In store tastings when possible
4. Staff trainings and interactions
5. Whenever possible, bar spends and staff incentives
6. Field trips to the wineries would be an amazing incentive

HONEST conversations of goals and what success means to the average producer

- 1. Be realistic in the goals and determine if success is from image recognition, pure sales and distribution, being in a small amount of the best accounts, being in as many accounts as possible, etc.**
- 2. Be realistic in which varietals will work, what you can make the most of, and what you can build on vintage after vintage (the market demands consistency)!!!**
- 3. Be WEARY of passion projects!! Funky weird blends, unusual interpretive designed labels, and things YOU may think are amazing might not register with the larger segment of the consuming population!!!**

**BASIC
ANALYSIS
and REVIEW:
bottle design,
price point,
marketing:
(industry
standard)**

BOTTLES

1. Trend for bottles is simpler is better. If you are going to do some type of art work, keep it clean, crisp and not in the way of your varietal or information, and make it look professional!
2. Screw caps are not looked down on and in fact, a bonus when working with hotels or other locations that get super busy at the bar
3. Again, proper bottles for proper varietals!
4. 700ml are being introduced to the market with no issue
5. Large bottle formats and half bottles discussion

MAGIC NUMBERS:

BTG REVIEW: restaurants are still trying to get 100% on their first glass and marking up 2 to 2.5 times for wine menu so be aware of price points when pitching wines for menus

BTG Price Range: It is not uncommon to see wines by the glass between 18-24 dollars a glass in some spots in the Front Range, although the average BTG is still between \$12 and \$16 dollars a glass (so you know your what your wholesale bottle price has to be)

Sports Bar wines can range from \$4/happy hour to \$15/glass depending

Coravin/Captain's list-many venues are utilizing Coravins to be able to offer higher end wines at 2, 4, or 6 oz pours priced out effectively

RETAIL MARK UPS have steadily gone up the last 10 years when the standard mark up was 1.35 in the front range, you are seeing 1.5 or even more in some markets (more mark up around hotels, and in destination spots)

Case Stacks: the golden marker for real estate in retail, you will want to have a 2 case, 4 case and larger case deal to offer to retailer, allowing them often the chance to make greater margin on items thus putting them in key locations (so build this in to your pricing model)

Location: When possible, ask for your varietals to be located in more than one location (so in the Colorado section but also in the Cabernet section, Chardonnay section, etc)

Go after the good old fashion COLD BOX! Wine is proven to move faster so even think of some type of price break or incentive for them to put your wine in the cold box!

SHELF TALKERS/CASE CARDS-because they work!!

- 1. Not too wordy**
- 2. Proper press (89 points or more)**
- 3. Quick and to the point in colors that demand your attention**

1. **“Bill backs”**-when you work as a team to determine some volume deals per varietal that you can invest in growth...for example, a 24 bottle deal get you 2 dollars off a bottle from regular pricing. You create this deal and the wholesaler **“bills you back”** every month or quarter..however you have it set up. It is an investment in getting distribution and building a label. Often these are special prices for one quarter, or a set amount of time but can also be extended.

2. **Other volume deals:** This is a **MUST** if you are trying to get some serious volume. If you have the ability to product one varietal in larger quantities, that you want to make your **“driver”** label, have 2 case and 4 case deals for your restaurants and offer similar deals to retailers bur you can often offer 10 case deals too as there is more real estate to work with. **“YOU CANNOT TAKE MARGIN TO THE BANK”** so think about what you can afford to do, and consistency in inventory as well so you can keep the wine moving.

WHEN WORKING WITH A BROKER or WHOLESALE:

LEVERAGING the COLORADO CONNECTION for Local Markets



1. How are you doing this in your pitch?
2. How are you doing this in your marketing?
 - a. shelf talkers
 - b. neck tags
 - c. social media
 - d. overall imagery

WE ARE A VERY STATRIOTIC STATE-AND
WE FIND PEOPLE WANT TO SUPPORT
LOCAL WHENEVER THEY CAN, OR WHEN
REMINDED TO DO SO.

CONCLUSION:

1. No field of Dreams - if you build it DOES NOT mean they will come :) Need to put the work in and in our opinion the classic model if done correctly, is a proven method.
2. Problem solving with simple solutions such as Shelf Talkers, floor displays, social media, and finding the right strategic partners that fit your budget and goals.
3. Inventory management and clear logistics so that there are no surprises for your customers or consumers
4. Consistency after the sale (staff trainings, bar spends, incentives, and presence)
5. Know your audience as each market is vastly different and have a clear focus of where you want to be
6. STOP trying to compete with California, Oregon, and other markets as we are our now unique and amazing location and climate and destination- focus on your strengths and leverage the local aspect in marketing
7. WE HAVE MANY STRENGTHS especially in a local market that is STATRIOTIC and favors and supports local producers

FAST FACTS



FAST FACTS ABOUT THE COLORADO WINE INDUSTRY

COLORADO'S WINE INDUSTRY IS OLDER THAN YOU MIGHT THINK

The first recorded wine production in Colorado was 1880. It was Colorado Governor George A. Crawford, the founder of Grand Junction in 1881, who first saw the Grand Valley's potential for grape production and planted 80 acres of wine grapes and other fruit on Rapid Creek above Palisade, along the Colorado River. Palisade is now the current site of the state's largest annual wine festival: Colorado Mountain Winefest, recognized by USA Today as the Best Wine Festival in the USA, which takes place over the third weekend of September every year and attracts thousands of people to the region. Colorado is home to over 170 licensed wineries, including 25 cideries and 16 meaderies, plus 1 sales producer, thanks to the pioneering spirit of our grapegrowers and winemakers, as well as the support and foresight of the Colorado General Assembly. In 1877, the Colorado General Assembly enacted the Colorado Limited Winery Act to permit small "farm wineries." By 1960 the industry had developed to the extent that the General Assembly passed further legislation, the Colorado Wine Industry Development Act, to create the Colorado Wine Industry Development Board under the authority of the Colorado Department of Agriculture.

TWO AVAS AND MANY OTHER GRAPE-GROWING COUNTIES

Colorado boasts two federally designated American Viticultural Areas (AVAs): the Grand Valley along the Colorado River between Palisade and Grand Junction, and the West Elks along the North Fork of the Gunnison River between Paonia and Hotchkiss. Together, these regions produce 99% of the wine grapes grown in Colorado. Wine grapes have also taken root in Montezuma (Four Corners), Fremont (Arkansas River Valley), Boulder, Larimer (Front Range), Delta and Montrose (Western Slope) Counties. For more information on each area, please visit www.coloradowine.com. Of Note: The Grand Valley made Wine Enthusiast Magazine's 2018 list of the Top 10 Wine Destinations in the world.

OUR TERRAIN: VINEYARDS WITH AN ALTITUDE

Colorado's grape growing regions range in elevation from 4,000 to 7,000 feet and are the highest in the Northern Hemisphere and among the highest in the world, beneath only Argentina. We average more than 300 days of sunshine each year creating ideal growing conditions. Colorado's soils, similar to the soils of Europe, are generally more alkaline than the acidic soils of California. Consequently, Merlots often taste more like Bordeaux here than in California, and Syrahs are more like Rhône Valley reds than like Australian Shiraz. The important thing, though, is that Colorado wines taste uniquely like Colorado and not like any other region. The extremely dry climate keeps pest and disease pressures very low, so applications of pesticides and other chemicals are almost unnecessary compared to more humid climates.

OUR PORTFOLIO OF CULTIVARS

Premium Vitis vinifera cultivars account for the vast majority of the vineyard acreage in the state.

- Riesling, in styles from an Alsatian-like bone dry to ultra-sweet desserts, accounted for 13.39% of the 2020 harvest.
- Rhône Valley varieties include Syrah (4.79% of 2020 production) and Viognier (1.82%) plus smaller quantities of Grenache, Mourvèdre, Cinsault, Roussanne, and others.
- The red Bordeaux cousins, Cabernet Sauvignon (7.44%), Merlot (8.36%), Cabernet Franc (8.99%) and frequent "Best of Show" winner in the Colorado Governor's Cup) lead the production of the other Bordeaux varieties including Malbec, Petit Verdot, Sauvignon Blanc and Semillon.



GRAND VALLEY	81%
WEST ELKS	19%
OTHER	0%

81% VITIS VINIFERA 19% NON-VITIS VINIFERA



RIESLING	13.39%
CABERNET SAUVIGNON	7.44%
MERLOT	8.36%
CABERNET FRANC	8.99%
SYRAH	4.79%
VIIGNIER	1.82%
GRANACHA	0.36%
SAUVIGNON BLANC	0.36%
SEMILLON	0.36%
OTHER	1.82%
UNIDENTIFIED	1.36%
OTHER	2.79%
OTHER	43.45%