#BCWine2022

Read this before delving into the Data

About

Welcome to #BCWine2022, the industry's most comprehensive analysis of the BC Wine industry. I have been tracking industry performance since 2017. In 2021 I released #BCWine2020 as a general report on the industry. In 2021, with the transition to Microsoft Power BI based analytics, I worked with wineries on a custom basis only. #BCWine2022 provides a comprehensive overview of BC Wine industry performance.

Subscribers to #BCWine2020 and clients since then will recognise many of the categories and analytics used, however, in most cases, they have been refined beyond the original report and new analyses have been added. When all Sections are complete, #BCWine2022 will be a far larger and more comprehensive set of data than #BCWine2020.

The challenge with any standardised report is that no winery is "average". Every winery has to work within its own capabilities and restraints (such as supply) to achieve its goals. #BCWine2022 will provide insight but the scope of the underlying data allows customisation to make it directly relevant to your winery and suggest strategies to optimise your performance.

Report Format

Unlike #BCWine2020 which was a text report with embedded graphics, #BCWine2022 comprises two components:

1. Graphics are provided in a Microsoft PowerPoint .ppsx format file.
2. Commentary and notes for each slide are in a separate .pdf text file.

This facilitates review in groups whereby the data can be projected (in a group setting I recommend using a large screen) while each group member can have their own copy of the commentary to read along with and annotate.

Report Focus

The BC market for 100% BC Wine (80%+ of all production is sold or used here). The Report really focuses on two aspects:

750mL Format

- 95% of BC wine production.
- 63% of all wine sold in the Province are sold in 750mL format.

About #BCWine2022 – Background and Definitions

Within the BC industry data, Independent wineries vs Big 3.

1. Big 3 wineries have internal teams of business analysts doing this sort of analysis. Independent wineries generally do not have this capability so this Report somewhat levels that playing field.
2. Independent wineries' main competition for consumer mind- and channel shelf-space comes from other Independent wineries rather than those from the Big 3.

Report License

The report is licensed to the winery or group of wineries who purchase it. Data may be freely shared within the licensee and with its external business partners like marketing agencies etc. However, you may not publish or otherwise publicly disseminate the report components without express permission from the author.

#BCWine2022 Release Schedule

#BCWine2022 will be released in the following Modules

- Release Module 1 (April 2023)

    Section 1 -2022 Market and BC Wine performance
    Section 2 - BC Wine 750mL by Variety
- Upcoming Modules covered in your subscription. These will be released as completed. Sections may not be released in the numerical Section Order below.

    Section 3 – Regional Analysis
    Section 4 – Winery Selling Prices and Markups
    Section 5 – Channels
    Section 6 – Imports
    Section 7 – Reputation
    Section 8 – Miscellaneous Topics

Definitions

Key terms used in #BCWine2022. Further explanation may be added in each planned Section as appropriate.

Major Categorisations

"BC Wine" includes VQA, non-VQA qualified formats (BIB, kegs, cans etc.) and wines made by BC wineries not registered for VQA – often these are made for private labels, OEMs etc. Non-VQA BC Wine is sometimes categorised in the report as "100%".

- For this report "BC Wine" only includes Red, White, Sparkling and Rose wines sold in any format. It does not include Dessert, Fruit, Ice or Port-style wines. The collective volume of these is not material. Excluded categories would add <0.5% to BC's overall market share.
- ICB wines are NOT included in BC Wine. They are grouped with Imports.

About #BCWine2022 – Background and Definitions

"Imports" include everything that is not BC Wine including Canadian VQA and non-VQA from other Provinces.

"RWSR" is abbreviation for Red, White, Sparkling, and Rose.

"Wine Category" uses RWSR to group data and is used extensively in the report.

"Variety" is based on BC Wine sales in 'as sold' format. Wines sold as a single variety are classified as such, wines sold as blends are categorised by the type i.e., Red and White Blends, Rose, Sparkling rather than by the component varieties. Red Blends, Rose, and Sparkling have various sub-categories. All Varieties are allocated to an appropriate RWSR Wine Category.

BC Wine Industry Taxonomy

VARketing! has extended the data to create the taxonomy – Group->Winery->Brand->Tier:

Group: Wineries with common ownership

Winery: An individual licensed winery or a virtual winery brand made at another licensed winery. OEM production for another winery, e.g., a virtual, is included under the selling winery rather than the producing winery.

Brand: Distinct Brands operated by a winery. Most wineries have one Brand, a few have multiple Brands.

Tier: Typically, a named series of wines marketed by the Winery/Brand. Private label production is given its own tier name within the winery.

Only Group and Winery Levels are used in this report.

The Industry is subdivided into two categories:

"Big 3" – Wineries owned or controlled to all intents and purposes by Mark Anthony, Peller and Arterra. The database can further divide these wineries by sub-category as follows.

- Virtual Brands – Brands and SKUs that do not have a physical winery presence for the Brand but are VQA. This differentiates them from ICB virtual brands.
- Pre-2017 Wineries – the original wineries before all the acquisitions in 2017
- Acquired Wineries 2017-2021 – Formerly Independent Wineries
- Acquired Wineries 2022 – Independent Wineries Acquired or controlled in 2022.
- New 2017 onwards – New physical wineries established.

For #BCWine2022 all Big 3, Groups, Wineries, Brands and sub-categories are aggregated together as "Big 3".

"Independent" – Any Winery not included in the "Big 3". There are Groups within this category.

The data in this report does not identify by name individual Wineries or Groups.

About #BCWine2022 – Background and Definitions

Values

- Values are calculated based on **wholesale** price ruling in March of the year following. All average pricing and cumulative values are **effectively an index** rather than a historical measure of actual values over the period. Put another way, values are calculated as if all the products sold during the year were sold at the same and most up-to-date price and regardless of channel sold through as wineries realise less from sales via the government stores and more from direct-to-consumer sales. This has an advantage in that Averages represent more current data than an average of selling price over the year.
- All averages are volume weighted unless specified.
- Average Wholesale prices of non-750mL formats are presented in 750mL equivalent price. When comparing, say, the wholesale average of a 750mL against a Keg the price is based on the same quantity.

Volumes

- All sales volume data is given in 9L Cases unless specifically noted.

Prices

Wholesale Price

- Source - LDB
- As of March 2023

Selling Prices to Consumer

- Winery
  - Source - Generally from winery websites.
  - Last updated February 2023
  - Not every SKU has a retail price associated with it e.g., SKUs made specifically for sale in channels other than direct. Values calculated using Winery Selling Price are volume weighted on only those with a Selling Price traced.
  - Wineries may sell products for less than listed price (e.g., to wine club members etc.)
- Retail
  - Source - Retailer websites
  - Last updated February 2023

About #BCWine2022 – Background and Definitions

Wholesale Price Bands

These are one of the main segmentation measures used in the Report. For more background on these see Appendix 1.

The banding structure provides for volume comparisons over time and is the primary basis for calculating BC market share.

Any form of price banding is artificial as Pricing is a continuum and, in practice, there is little direct difference in impact between a wine selling at wholesale for $21.75 (Band D) and one selling at $22.75 (Band E).

	Wholesale $/750mL
Band A	<$11
Band B	$11- $14.60
Band C	$14.61 - $18.50
Band D	$18.51-$21.90
Band E	$21.91 - $29.20
Band F	$29.21 - $51
Band G	$51-$75
Band H	>$75

For BC Wine and Imports >$11, I can provide reports based on customised Banding.

Regional Data (DVA/SubGI)

Regional volumes are based on winery location not the source of grapes. Wineries not located in an official DVA or SubGI are allocated to artificial regions.

Channels

"GLS" – Government Liquor Stores owned and operated by the LDB.

"Retail" – LRS, GRC and VQA licenses.

"Licensee" – FP and LP Licenses.

"Agency" – RAS and Winery-owned retail Licenses.

"Direct" – Winery licenses.

Abbreviations:

Abbreviations and codes are sometimes presented for screen space savings. These are identified as they occur in a respective Section.

Appendix 1 – Price Bands

I set these bands in 2017 based on consumer spending habits and then backed the consumer price points to a range of wholesale prices that allows for the differing selling prices in each retail channel (i.e., excluding Licensees who have a very different markup structure). To illustrate these points, consider the following examples:

i. A consumer who normally buys wine in Band A may often also buy wine in Band B for special dinners, guests etc. A +/- $5 variation would not be uncommon.
ii. A consumer who is looking for a $50 bottle of wine as a guideline price easily may spend at least +/- $15 depending on circumstances. In other words, the higher the price the more personal flexibility the consumer likely has in choosing price point.

b. Band price ranges are not evenly distributed although B-D are all approximately the same size. The Band range expands in each Band above that.
c. Obviously, if only just through inflation, one would expect bands to shrink and grow over time. The following table shows a comparison to total 750mL wine litres by Band in 2017-2022. Using the same Band structure over time allows good comparisons to be made. In all years up to 2021, Bands A-C account for over 80% of total litres sold. In 2022 it is still only just under 79%.

	Wsale Band	Appx. Retail Pricing equivalent	Band Share of Total Litres (BC Wine, Imports, ICB)				
			2017	2019	2020	2021	2022
Band A	<$11	<$15	41.2%	43.9%	43.4%	36.5%	**31.5%**
Band B	$11-$14.60	$15-$20	25.0%	24.9%	29.7%	22.3%	**21.5%**
Band C	$14.61 - $18.50	$20-$25	18.0%	16.6%	14.5%	22.2%	**25.7%**
Band D	$18.51-$21.90	$25-$30	7.3%	6.7%	6.1%	7.6%	**8.3%**
Band E	$21.91 - $29.20	$30-$40	4.9%	4.4%	3.5%	6.5%	**7.5%**
Band F	$29.21 - $51	$40-$70	2.7%	2.6%	2.0%	3.4%	**3.9%**
Band G	$51-$75	$70-$100	0.6%	0.6%	0.5%	1.0%	**1.2%**
Band H	>$75	>$100	0.3%	0.3%	0.3%	0.4%	**0.5%**
			100%	**100%**	100%	100%	**100%**

Appendix 2 – Data and Analysis

Data Sources

Primary data is compiled from a variety of published and custom reports drawn from the LDB. Extensions and new categorisations are added by VARketing!

Data Accuracy

LDB's classifications of wine categories are sometimes in error, this flows through into their reporting in the Liquor Market Review (LMR). We correct many of these but also recategorize for our own data purposes.

LDB data for BC wineries is only as accurate as the reporting by the wineries on their sales made directly from the winery to consumers and channels. This reporting is not always accurate nor even complete. The overall totals reported to LDB are likely understated - which leads to a misstatement even in the annual service reports. While the cumulative errors by BC wineries are likely not material in the total volume of wine sold in BC, I expect that they could lead to an aggregate understatement of BC wine sales and market share of between 0.5% and 1%. Within this Report, as data goes down to highly granular analysis these errors may be magnified. Where possible I have noted any potential impact.

Database

Data is maintained largely in Microsoft Access (planned future switch to SQL Server). Historical SKU data now amounts to 46,000 rows covering 2016-2022 (except for 2018). Some peripheral and categorical data is kept in Microsoft Excel files.

Analytic Engine

Microsoft Power BI. All charts and tables in #BCWine2022 are generated from this software and exported to Microsoft PowerPoint for the Report.

Data Structure:

BC Primary (sourced from LDB):

- CSPC
- Product name
- VQA Indicator
- Wholesale Price
- Licensed Producer
- Format
- Category for BC (LDB's classifications of RWSR etc.)
- Volume by Channel

VARketing! Extensions

Extensions extract data from multiple sources.

- Identification of 100% BC wine not in VQA system
- Wholesale Price Banding (customisable)
- Winery Maturity (length of time in business)
- Winery Size categorisation (customisable)

- Winery Selling Price
- Retail Channel Selling Price
- Format sub analyses – varies by Wine Category.
- BC Industry taxonomy down to SKU level by Group-Winery-Brand-Tier and Big 3 vs Independent
- Regional layer
- Wine Categories – corrections to and reallocation of LDB's Category for BC.
- Wine Varieties with attendant sub analyses
- Vivino scores
- Awards
- Other miscellaneous extensions (some of these are stubs for future exploration such as Google/TripAdvisor scores)

Import, ICB etc.

Primary (sourced from LDB)

- SKU level data without channel attribution but otherwise same as BC
- Various summary reports custom ordered by VARketing!

BC vs Imports

For 2021 and 2022 only, I have SKU level data for Imports >$11. Prior years have summary data by Wine Category and Price Band only.

Additional Data Sources that may be referenced

- LRS market research conducted for ABLE BC by VARketing! focused on LRS sector.
- Various Top Retailer ranking reports (not updated for 2022 as yet).
- Industry published reports on acreage and harvest.
- Destination BC tourism data.
- Miscellaneous industry reports.

Customisation

I can create highly customised and specific analyses for BC wineries using any, or all, of the above.