

## **2024 Wine Industry Report for GO Virginia Region 9**

*Focused on the city of Charlottesville and the counties of Albemarle, Culpeper, Fauquier, Fluvanna, Greene, Louisa, Madison, Nelson, Orange, and Rappahannock.*

### **BACKGROUND**

This report was funded by GO Virginia Region 9 in collaboration with all included counties under the leadership of Nelson County. An Advisory Committee composed of industry representatives, locality representatives, and GO Virginia representatives met monthly throughout the process. The primary goal of this report was to identify challenges in scaling up the region's wine industry and explore opportunities to expand wine exports outside of Virginia. While this report focused on the vineyards and wineries of GO Virginia Region 9, the report's findings and action plan are applicable to the entire Virginia wine industry (cideries were not included in the report). Nearly one third of the total number of vineyards and wineries in the state are in the counties listed above. Notably, this area includes the 2023 Wine Enthusiast Wine Region of the Year: Charlottesville, underscoring the area's emergence onto the international wine stage. As of 2023, 1,266 full time equivalents were employed in the region's wineries and vineyards, accounting for over \$338,000,000 of GDP for the region. From 2013 through 2023, the total number of establishments in the regional wine industry increased from 53 to 79. It is hoped that with sustained innovation and support, that this industry will continue to provide a source for new jobs and greater economic impact for the region.

### **INTRODUCTION**

To gauge the state of the local wine trade in GO Virginia Region 9 during the 2023 calendar year, a comprehensive survey was deployed to vineyards and wineries throughout the region. This survey collected information from respondents on a wide range of topics covering grape growing, wine making, the handling of wine, and the business of wine. While a series of open-ended questions were offered throughout the survey, additional efforts were made to provide a deeper understanding of the current strengths and weaknesses of the regional wine trade by conducting extensive one-on-one discussions with vineyard and winery owners, winemakers, and managers. Care was taken to seek out conversations with vineyards and wineries which represent a range of business ages, localities, production sizes, and business models. The insight from these discussions is presented alongside

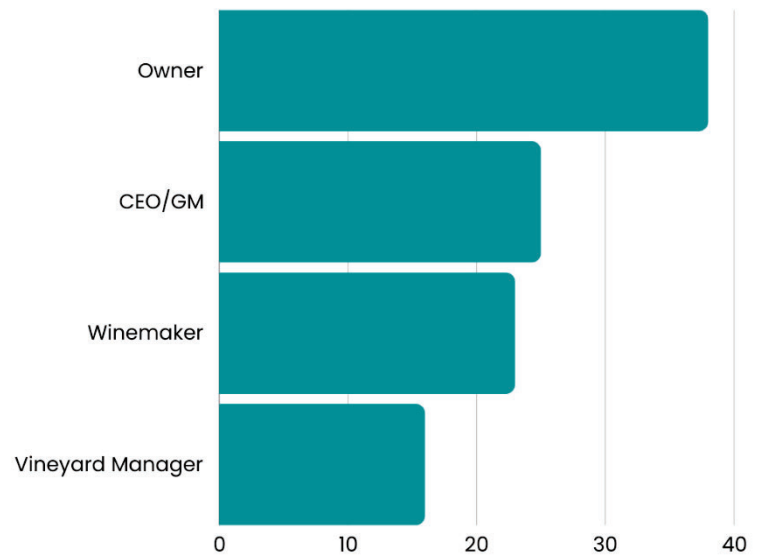
data collected from the survey and serves as the basis for the recommendations made at the conclusion of this report.

## OVERVIEW OF RESPONDENTS

Of the 99 vineyards and wineries that were targeted by the survey, 59 responded. One third of respondents were engaged directly with one-on-one discussions regarding the scope of the study and their points of view provided critical context for the study's findings.

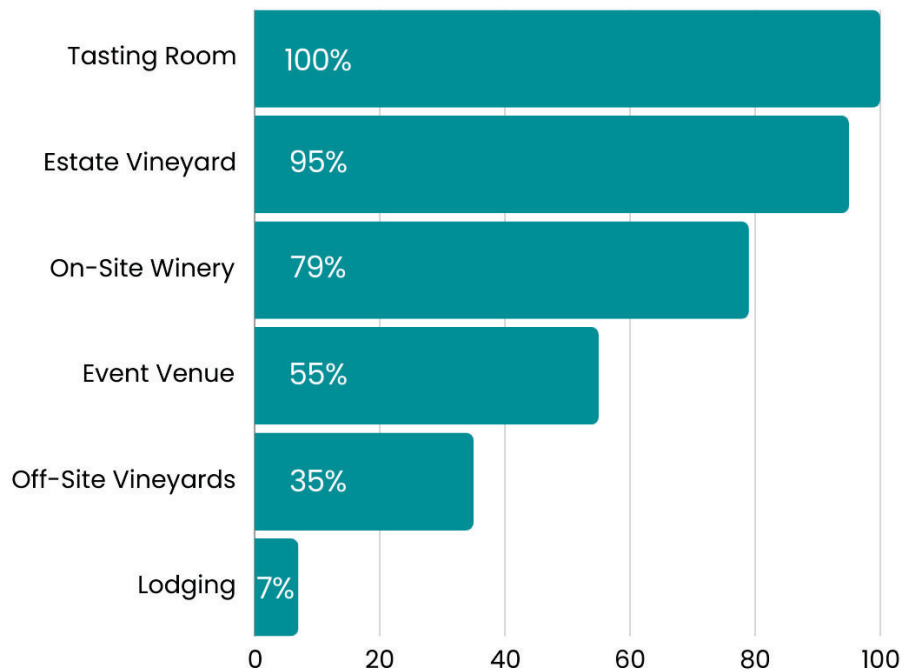
Figure 1.0 indicates the various job roles held by those who completed the survey. Respondents were permitted to select any applicable job titles.

64% of respondents identified as the business owner, 42% as the CEO/GM, 38% as the winemaker, and 27% as vineyard managers.



As is often the case in Virginia wine, many people serve several different roles in their business. A minority of respondents identified as wine club managers, tasting room managers, hospitality directors, etc. Each response was given equal consideration regardless of job title and it is felt that a fair mix of job titles has provided a broader understanding of the challenges faced by the region's wine industry.

## BUSINESS COMPOSITION



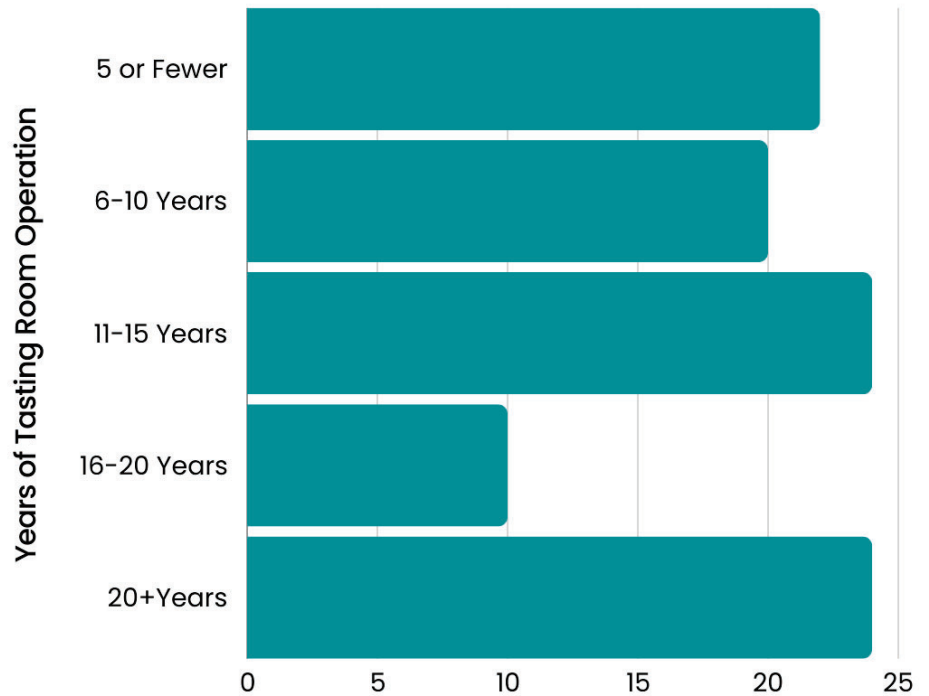
Respondents were asked to select all elements that are included in their business (Figure 1.1). With 95% of respondents indicating ownership of estate vineyards and 35% indicating off-site vineyards under their management, nearly one in three wineries rely to some degree on

non-estate grown fruit to meet their production needs. This can compound challenges related to vineyard labor and equipment use. Managing off-site teams and transporting equipment requires additional time and resources above the demands of managing an estate vineyard, and often increases the challenges of applying best quality assurance and quality control practices.

Also of note, 77% of respondents indicated that they offer a limited food menu and an additional 13% indicated they operate a full service, in-house restaurant, establishing that 90% of the region's wineries offer some level of food service to their guests. For those which offer wine tastings, the average fee per tasting is \$19.17.

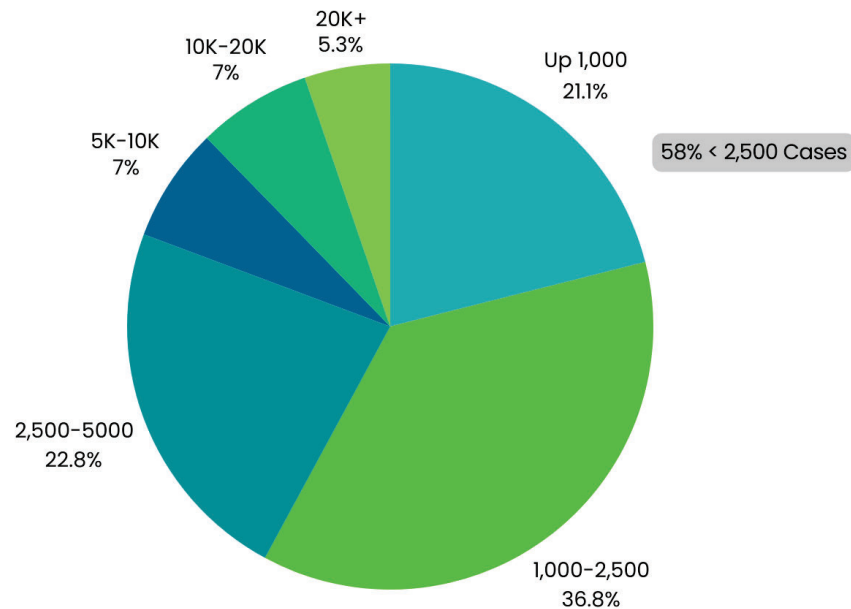
## YEARS OF TASTING ROOM OPERATION

Figure 1.2 shows an even spread of tasting room ages, except for the 16-to-20-year age range which represents less than half the average number of wineries if the other age ranges. This may suggest a set of business difficulties which can occur between the fifteenth and twentieth year of business, or it may indicate a reduced rate of new tasting room openings 16 to 20 years ago (corresponding to the years 2004-2008).



## CASE PRODUCTION IN 2023 (9 LITER CASES)

Figure 1.3 shows case production levels amongst survey respondents. Just over 1 in 5 respondents indicated a wine production level below 1,000 and a total of 58% of respondents reported a production level below 2,500 cases, highlighting the quantity of smaller producers in our region. 81% of respondents produce under 5,000 cases, nearly matching the national figure of 82%<sup>1</sup>. While average production is 5,367 cases, just over 5% of respondents indicated production levels of more than 20,000 cases annually. It should be noted that this 5% represents nearly 28% of all wine produced in the region.

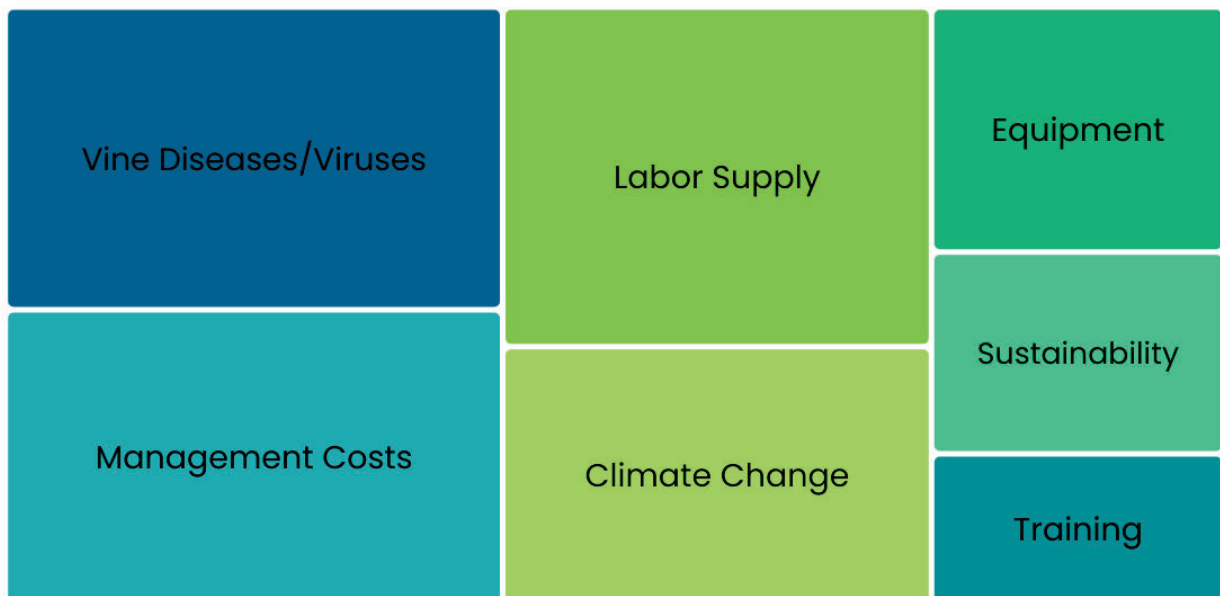


<sup>1</sup> “2024 Direct to Consumer Wine Shipping Report”, Sovos ShipCompliant & WineBusiness Analytics

Not counting any leased vineyard acreage, the average vineyard holding is 20.6 acres which, based on generally accepted average yields per acre, suggests that leased vineyard acreage plays a meaningful role in supporting production volumes.

## AREAS OF CONCERN IN THE VINEYARD

Figure 2.0 shows the frequency with which various concerns were raised by respondents regarding their vineyard operations. The two major themes of many of these challenges are related to the changing climate and the staffing of skilled workers. It should be noted that many growers voiced appreciation of the Virginia Vineyard's Association.



- Vine Diseases & Viruses (63% of Respondents) – Preexisting disease pressures, contaminated vine nursery materials, unhygienic vine pruning and training practices, as well as the spreading of previously less common diseases, viruses, and pests due to the effects of climate change all pose significant challenges to the region’s vineyard managers.
- Labor Supply (62% of respondents) – The nature of grape growing means there are major seasonal fluctuations in labor requirements for vineyard managers, making it difficult to staff consistently and sufficiently throughout the year. With a limited pool of locally based workers on which to draw, many businesses must hope they can obtain sufficient H2A workers to meet their vineyards needs.

- Management Costs (62% of respondents) – Worker salary, vine maintenance, equipment costs, spray programs, pest management, harvest costs, and more all factor into the costs of managing a vineyard. Many of these costs have also been magnified by the challenges caused by climate change as well as economic inflation.
- Climate Change (47% of respondent) – Our region’s increasingly mercurial climate is a major cause of concern for those in agriculture, particularly those who grow wine grapes as they are quite sensitive to climatic conditions. As referenced above, climate change is increasing our region mold, mildew, disease, and virus pressures as well as driving up costs of vineyard management. Mitigating these effects while proliferating more sustainable agricultural practices will be key to our region’s future success.

### AREAS OF CONCERN IN THE WINERY

Figure 2.1 shows the frequency with which various concerns were raised by respondents regarding their winemaking operations. Many of the concerns that were noted under vineyard operations were frequently mentioned as challenges within the winery, most notably Labor (52% of respondents), Equipment (35% of respondents), and Climate (25% of respondents). It should also be mentioned



that many respondents spoke very highly of the Winemaker’s Research Exchange (WRE) as a tremendously important resource for their winemaking operations.

- Regulatory Challenges (37% of respondents) – Navigating the many regulations which govern winery operations can be a management headache, a financial drain, and a constraint to expansion. Confusion regarding OSHA, ABC, TTB, and other governmental agencies suggests a need for a closer relationship with regulatory agencies as well as a need for additional educational and training opportunities regarding winery regulations.
- Equipment Needs (35% of respondents) – The production of wine requires an extensive range of generally costly equipment. Chillers/HVAC systems, sorting tables, grape elevators, crusher/destemmers, presses, pumps, punch down tools, barrels, bottling lines, and innumerable other winemaking accoutrement require massive investments.
- Energy Costs (33% of respondents) – Temperature control is by a wide margin the most significant use of energy in the production of wine. Maintaining fermentation temperatures, cooling a barrel room, and keeping wine storage conditions in optimal range all require significant energy. The effects of the changing climate have been magnified by rising energy costs.
- Tank Capacity (25% of respondents) – While the majority of respondents did not note this as a concern, a full 25% of wineries identify tank capacity as limiting factor. Many of the wineries in this group are under five years of age and are working through financial pains that often accompany business growth and expansion.

## **VINEYARD & WINERY CONCLUSIONS: CAN OUR REGION SCALE UP WINE PRODUCTION?**

Yes. While the question of marketing increased volumes of wine is still to be addressed, the survey indicates that our region is at least logistically positioned to expand production. 45% of respondents reported being unable to sell all their viable grapes at some point within the past five years and 74% reported an existing capacity to increase wine production if so desired.

Amongst the five most planted varieties in Virginia, the average cost of grapes per ton over the five-year period ranging from 2019 through 2023 increased by 8.9%<sup>2</sup>. This is less than half of the 18.9% rate of inflation which occurred over the same period<sup>3</sup>. Furthermore, according to the 2023 Virginia Commercial Grape Growers Report, the number of non-bearing vineyard acreage halved in 2023

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<sup>2</sup> Based on data from the 2019, 2020, 2021, 2022, and 2023 Virginia Commercial Wine Grape Report

<sup>3</sup> According to the United States Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov)

compared to 2021 and 2022, demonstrating a reduction in new vineyard plantings. Following supply and demand economics, the sluggish increase in tonnage price combined with slowed vineyard expansion, suggests that there is ample fruit available in the market.

Across our region are recent examples of grapes being left on the vine or harvested and then discarded. This has been found to be the case even during the ongoing 2024 harvest—a year which many growers have described as one of the region’s top recent vintages.

Furthermore, based on average tonnage presented by the Virginia Commercial Grape Growers Report, there seems to be opportunities to support increased yields per acre. Over four of the previous five vintages ranging from 2019 through 2023 (vineyard yield data was not collected in 2020), average yields were 2.45 tons per acre. While these yields are consistent with other high-end wine producing regions around the world, if the region wants to increase profitability and become more competitive in lower price brackets, tackling the challenges increasing vineyard yield must be addressed. Top quality growers from regions such as Napa, Mendoza, and Bordeaux often report yields above 3 tons per acre. More importantly, one award winning wine producer in the region noted that their targets for red grapes, depending on both vintage and variety, usually fall around 3.5 tons per acre, suggesting it is possible to crop at least 40% more per acre and still produce top quality wines. As vineyard management costs do not significantly increase with higher yields, vineyards targeting more entry level wines may need to target as much as 5 tons per acre. Industry collaboration may be needed to tackle the challenges of site selection, variety and rootstock selection, vine density, spray programs, wildlife pressures, etc. to achieve higher yields and increase profitability.

In conclusion, if assistance can be provided to the region’s producers to support an increase in direct-to-consumer sales as well as establish a stronger presence in various target export markets, it seems much of the infrastructure may already be in place to allow the region to scale up wine production.



## AREAS OF CONCERN IN THE BUSINESS

Figure 2.2 shows the frequency with which various concerns were raised by survey respondents regarding their business operations. Many of these concerns relate to sales and marketing strategies.

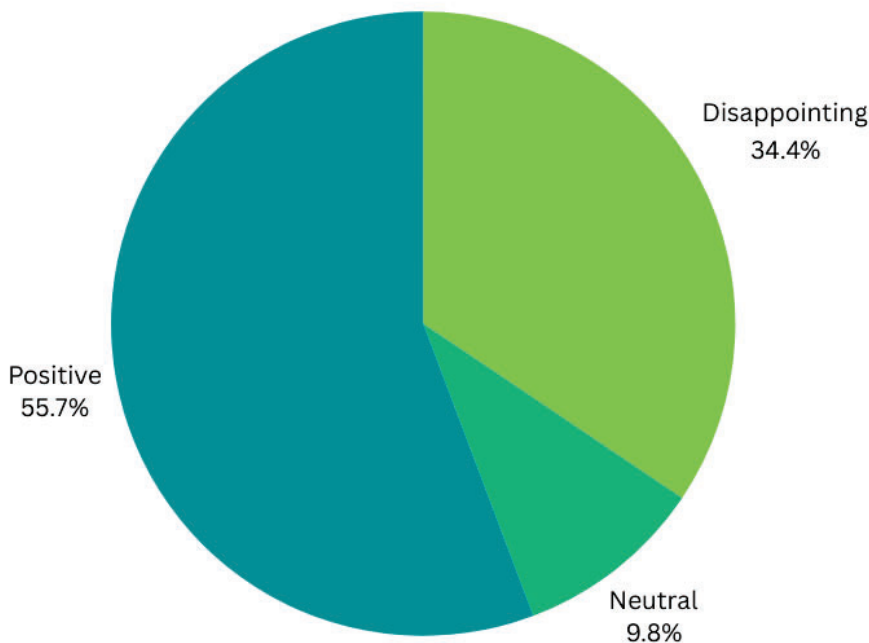


- Economy/Inflation (78% of respondents) – A strong majority of respondents indicated concerns about the economy and inflation with 50% of respondents indicating a reduction in volume of wine purchased over the past three years and 41% noting a reduction in average transaction amount over the same period.
- Tasting Room Visitor Traffic (75% of respondents) – During the early years of the pandemic, wineries saw increased traffic due to their favorable spacious outdoor locations and the reduction in airline travel. With the lifting of pandemic restrictions, many wineries not only have lost their COVID era gains, but have also struggled to return to their pre-pandemic visitation numbers.
- Staffing (58% of respondents) – Through the survey as well as through follow up discussions, many of the region’s wineries indicated a shortage of staff with sufficient wine, hospitality, and sales skills needed to succeed in a tasting room. Many winery tasting rooms struggle with recruiting trained and talented staff who demonstrate passion for the Virginia wine trade.
- Cash Flow (50% of respondents) – In the wine trade, many expenditures often come at times of the year when revenues are low, making it difficult for wineries to balance their finances. Several respondents noted an experienced lack of flexible grant funding and low interest loans.

- Marketing (43% of respondents) – These respondents identified a need for more robust online marketing via paid advertising, social media, and/or search engine optimization in order to grow their presence in new markets and with broader demographics.

## THE 2023 WINE SALES YEAR

Respondents were asked to characterize their 2023 sales year as “the most disappointing year ever”, “one of the more disappointing years”, “somewhat disappointing”, “neither good nor bad”, “somewhat good”, “one of the better years”, or “the best year ever” (Figure 3.0). The fact that nearly 56% of respondents selected positive responses is cause for great optimism—particularly taken in the context of a broad cooling down of sales across the wine trade<sup>4</sup>. Concerningly, just over one third of respondents selected negative responses, which is much more reflective of the wine trade as a whole. According to UK based drinks think tank, IWSR, the wine category is down 10% globally from a 2019 peak<sup>5</sup>.



### ■ Disappointing Sales

- Mean age of business: 11-15 years
- 43% – “Word of Mouth” primary marketing
- 43% – 3 or more social media posts per week
- 48% – VWDC Exclusive distribution
- Satisfaction with in-house marketing: 7/10

### ■ Neutral Sales Year

### ■ Positive Sales

- 43% – “Word of Mouth” primary marketing
- 58% – 3 or more social media posts
- 60% – VWDC Exclusive distribution
- Satisfaction with in-house marketing: 5/10

When asked to rate their in-house marketing efforts on a ten-point scale, wineries with disappointing sales numbers rated their abilities an average of 7 out of 10—two points higher than the average self-

<sup>4</sup> “State of the US Wine Industry 2024”, Silicon Valley Bank, Rob McMillan

<sup>5</sup> “8 Key Trends Set to Shape Beverage Alcohol In 2024”, IWSR Drinks Market Analysis

rated numbers shared by wineries who reported positive sales numbers. Wineries with positive 2023 sales numbers were more likely to use social media with consistent frequency than other wineries.

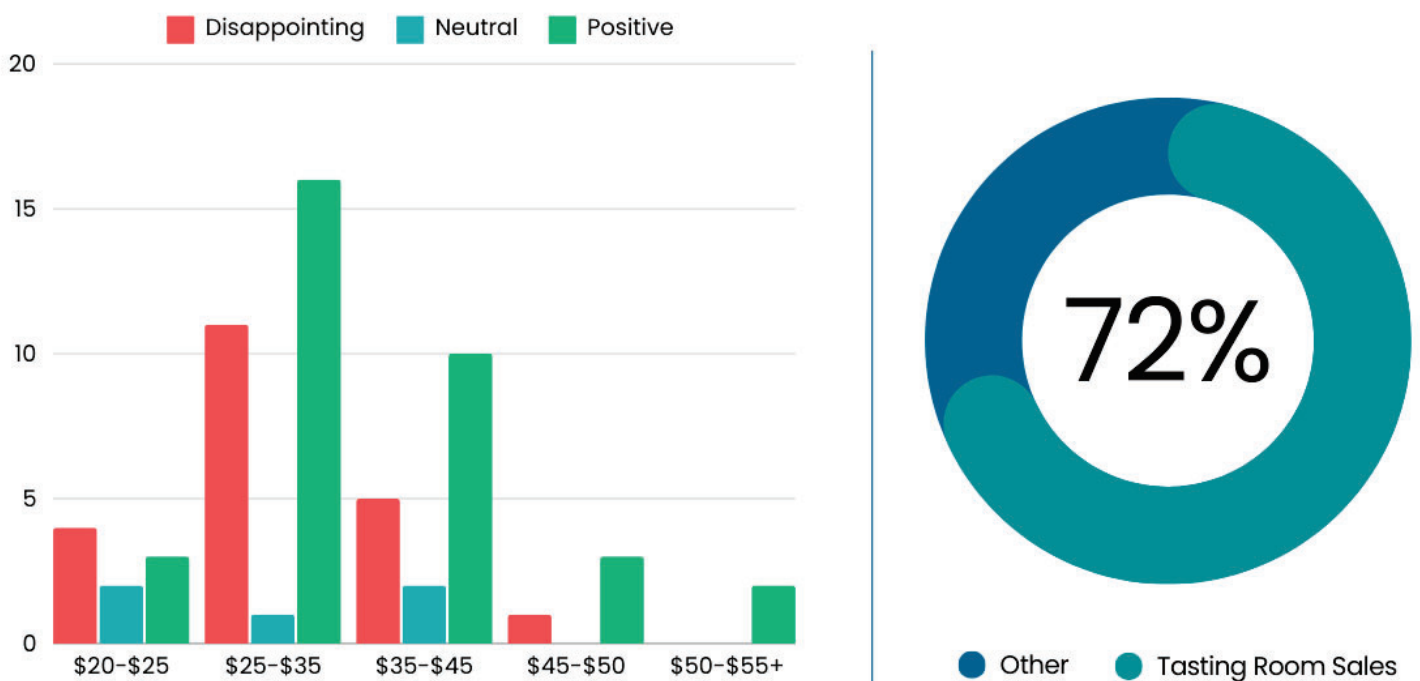
The fact that the mean age of wineries with disappointing sales is between 11 and 15 years, combined with the data showing a noticeable dip in existing wineries in the 16-to-20-year age group, could further indicate some difficulties as wineries approach the 15-year age mark.

There was no correlation between case production levels and sales year success, suggesting (at least in 2023) that winery size is a poor predictor of sales strength.

### COMPARING BOTTLE PRICE, THE 2023 SALES YEAR, AND CONSUMER TRENDS

Contrary to a popular opinion, higher priced Virginia wines do not seem to suffer from slower sales. In fact, the opposite appears to be closer to reality. Shown below in Figure 3.1, wineries which reported disappointing 2023 sales trend towards the lower price ranges while wineries which reported positive 2023 sales trend toward the median and upper price ranges.

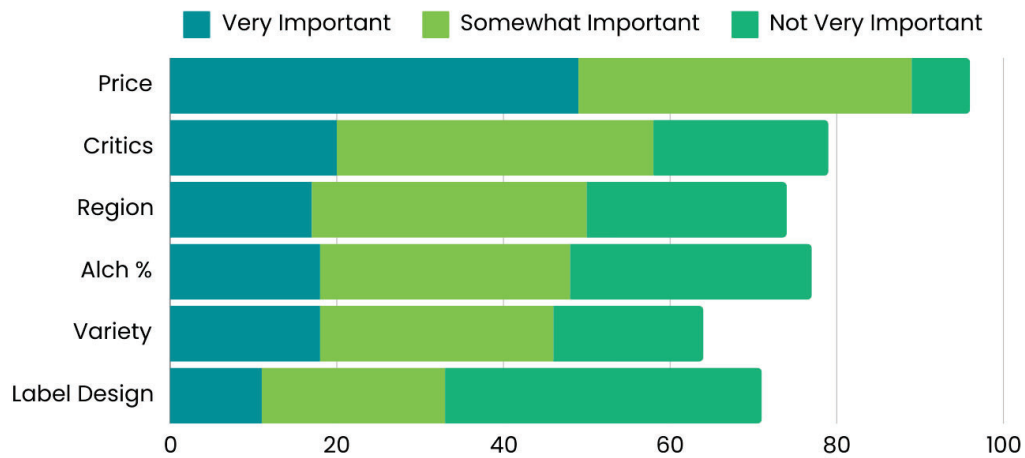
According to a 2024 national study by YouGov, only 16% of buyers typically pay over \$30 per bottle of wine<sup>6</sup>. The region is seeing some success in direct-to-consumer sales with wines at that price or



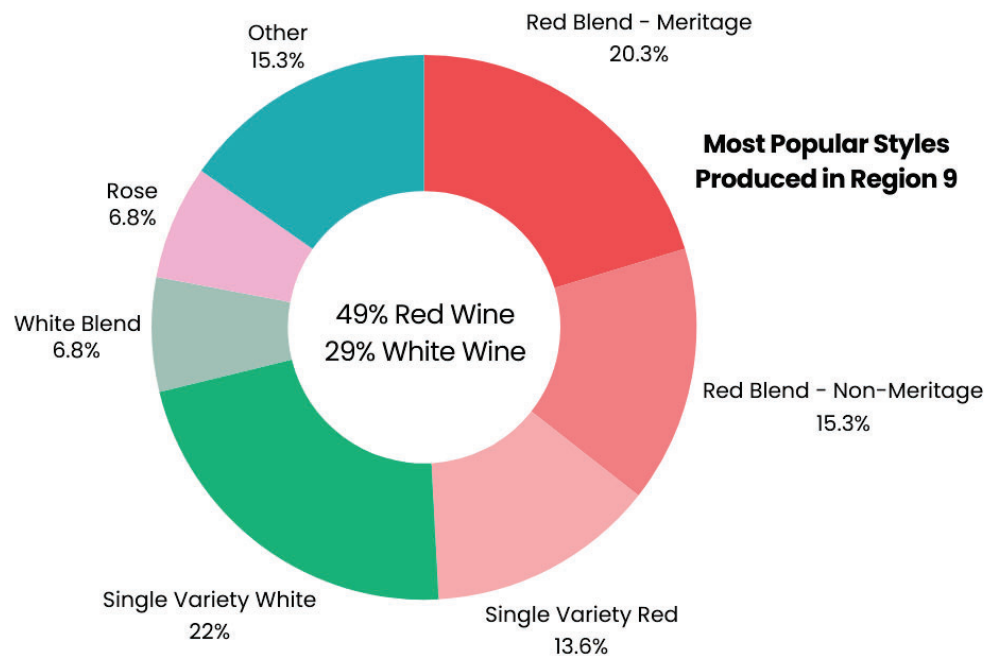
<sup>6</sup>“Americans’ Opinions on Wine | March 2024”, YouGov

higher in Tasting Rooms (which account for 72% of all sales). However, to appeal to a broader group of wine consumers and to scale up distributed sales of wines outside of the region, progress must be made in reducing the cost of production and passing that on to the consumer. Industry-wide work will be required to produce wines which can balance quality, profitability, and pricing.

In addition to striving for comfortable price points, the region’s wine producers must also be aware of consumers’ other major considerations when making wine purchase decisions. Wine style, variety, region of origin, critics’ ratings, alcohol percentage, and label design are all significant factors as seen below in figure 3.2.



Unsurprisingly, a total of 89% of wine buyers indicated that price is a major consideration. 58% of buyers are influenced by critics’ ratings and scores when selecting a bottle. 50% of buyers listed “region” as either very important or “somewhat important” to their purchasing decision. Additionally, 65% of buyers were not confident that they could taste the difference between a \$10 and \$100



bottle of wine, suggesting the possibility that Virginia could diversify from premium wines into more entry level styles, if the necessary industry supports were in place.

With consumer preferred wine styles, it is important to understand that this covers more than just common grape varieties or common blends. In the modern wine trade, there is an increasingly well-defined line between what might be called “traditional” styles of wine and what could be considered as more avant-garde styles of wine. Success in today’s market requires both approaches.

As seen above in Figure 3.3, the most popular styles of wine produced in the region make a fair approximation of the most popular wine styles for American consumers as identified in the 2024 YouGov Study. It is important to note that the currently fashionable, non-traditional wines previously mentioned were not accounted for in the YouGov study. Examples of trending styles of wine includes red wines intended to be served chilled, wines with lower alcohol by volume, organic/sustainably produced wines, amber wines, experimental ferments, etc.

### **INSIGHTS FROM THE ON-TRADE & OFF-TRADE**

To provide context to the survey results gathered from the region’s vineyards and wineries, discussions took place with a range of stakeholders in the on-trade (wine bars, restaurants, etc.) and in the off-trade (wine shops, grocery stores, specialty shops, etc.) located throughout the region as well as in target markets such as Northern Virginia, Washington D.C., and New York City.

Members of the on-trade, from beverage managers to sommeliers, to owners, often lament how busy schedules prevent them from visiting Virginia wineries, even given the proximity to so many from Northern Virginia and Washington D.C. While winemakers and brand managers from many other regions or wineries do make market visits, the general feeling amongst these on-trade wine professionals is that Virginia’s wineries miss out on opportunities for greater sales volume by not putting



in more face time in these target markets. They ask for more in-market tasting opportunities to give them a chance to learn more about the wines and the people behind the labels.

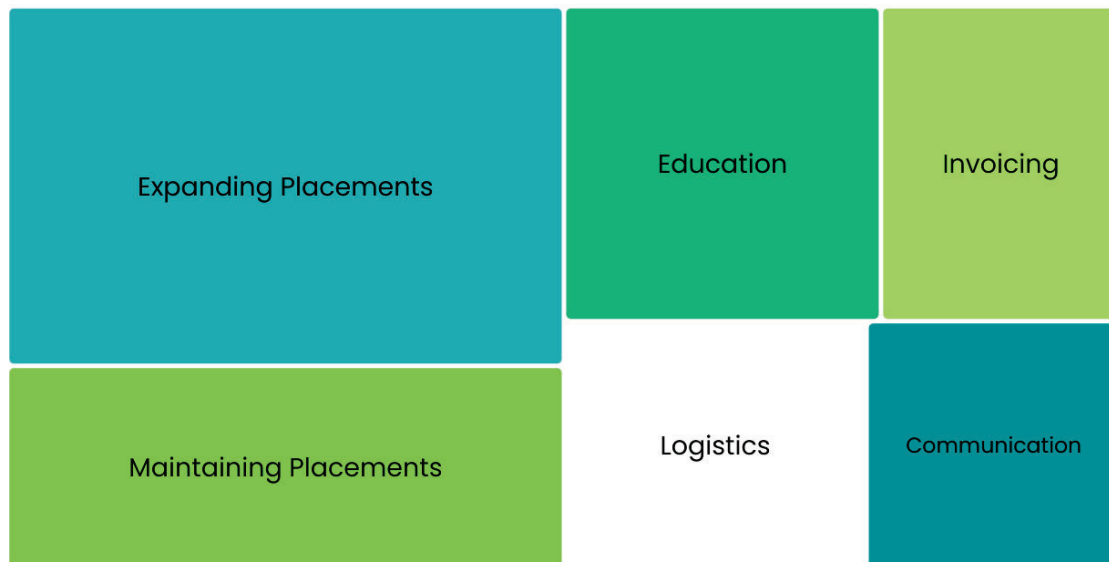
Complementing the desire for additional information about the wines and terroirs of Virginia, there is a strong appetite from Virginia wine producers, marketers, distributors, and enthusiasts for a Virginia focused wine education program that would provide consistent messaging, a broad understanding of the region, and clarify talking points for front line hospitality and beverage staff that will leverage members of the trade as goodwill ambassadors for Virginia wine.

On-trade and off-trade wine professionals also report higher interest and greater traction with wineries that produce bottles which can act as “on ramp wines” for younger consumers. These non-traditional wines include the use of new-to-the-region varieties, unusual wine making techniques, lower levels of alcohol, food friendly characteristics, and catchy branding. While the consensus seems to reflect that pricing is not an issue when it comes to placing Virginia wines on a wine list by the bottle, there is an overwhelming desire for options priced to be served by the glass (BTG) which would help broaden the exposure of the region.

Wine buyers also note a need for updated branding with bottles and labels to cater to a more modern demographic. Particularly on the shelves of the off-trade, wine buyers emphasize the need for Virginia’s wines to make a great first impression. Similar comments were noted about some of the region’s wineries’ websites and online marketing materials as well, suggesting that there may be a need for helping regional wineries understand best practices in branding and marketing.

## **INSIGHTS FROM DISTRIBUTORS**

While 50% of survey respondents use the Virginia Winery Distribution Company (VWDC) as their exclusive method of distribution, the remaining half of respondents work with private distributors to varying degrees. From large national distribution companies such as Winebow or Republic National, to medium sized companies such as International Cellars, or smaller operations like Williams Corner or the Robins Cellars, the region’s wines can be found in the books of distributors of all sizes. Interestingly, regardless of size of distributor, many in this sector shared similar insight into the strengths and weaknesses of the region’s wine in the traded sector.



Much as with the on-trade and off-trade, distributors frequently mentioned the need for more selections with entry level pricing. This is not to say there is a broad dissatisfaction with the region's wine prices, but more a comment on the role that entry level wines can play in supporting the sale of premium wines.

It is also their observation that winery tasting room pricing strategies are somewhat less successful in the marketplace. Another similar comment made by distributors was the lack of sufficient inventory to meet demand and the resulting challenges in regaining placements on shelves or wine lists after losing them due to shortages. It is often a significant amount of work to win a placement with a restaurant or retailer. When inventory fails to meet demand, wine buyers will replace that position with another wine, often meaning that when the original wine is available again, there is no space awaiting its return to the shelf or wine list.

Distributors broadly feel that Virginia's unique combination of terroir, style, and grape varieties provides ample opportunity for success in an increasingly competitive market. However, they would like to see more active participation of winery ownership or staff in the market to facilitate better education of their accounts as well as to give the wineries a better understanding of their reception in the market. As others have commented, a successful wine business requires successful relationships in the market. As it pertains to Virginia wines, many distributors receive feedback from their accounts indicating preference for producers who visit, check-in, and support their businesses as well. These visits can also build goodwill with the distributor and their sales teams, further strengthening their passion for selling the wines. Furthermore, it affords producers the opportunity

to see what other wines are on the shelf on the list and see where their own bottles fit in terms of price, style, branding, etc. This can be invaluable market research. Requiring this can be a burden to the producer, nevertheless, it remains the case that in-market visits often support higher sales.

## **INSIGHTS FROM WINE WRITERS, EDUCATORS, & INFLUENCERS**

Many of the world's successful wine regions have found their biggest champions among the ranks of wine writers, wine educators, and wine influencers. Leveraging their platforms in both print and online, these members of the wine trade ecosystem are uniquely positioned to spread wine awareness and appreciation. For emerging wine regions or regions that are hoping to promote their wines and while also controlling the messaging, it is critical that writers, educators, and influencers are proactively engaged by the region in professional relationships.

In these discussions, several common weaknesses were mentioned regularly: insufficient education and awareness, lack of accessibility in the marketplace, limited efforts in sustainability, and limited subsidized experience and travel opportunities.

### **Education & Awareness**

Writers, educators, and influencers are naturally much more inclined to write on and speak about topics that not only interest them but also on topics that are more easily studied and understood. Lacking any presence in the realm of formal wine education, Virginia does not have as much traction as it could amongst servers and sommeliers and the same is true with this group as well.

### **Accessibility**

Writers and influencers are more likely to discuss wines that their readers and followers can discover on shelves in their local markets. Similarly, wine educators are more likely to discuss wines that they can open and pour for their students. This leaves the region, and Virginia as a whole, at a disadvantage due to a limited range of distribution in the traded sector.

### **Limited Sustainability**

Much of the rest of the wine world has begun to work intensely on increasing sustainability in their vineyards and wineries. This is easier to achieve in some regions than in others due to differences in climate and soil. However, it does seem that increasing pressure from the market has motivated



producers even in other challenging viticultural regions (ex: Bordeaux, Burgundy, Barolo, etc.) to invest the time and resources into understanding what sustainability looks like for their specific region. Reflecting these market pressures, wine writers, educators, and influencers are regularly asking for what their audiences are asking for: sustainably produced wines. This is another major weakness for our region and something that must be addressed.

### **Experiences & Travel**

Many of the world's wine regions fund immersive wine trips for outside wine professionals to take deep dives into the region's wines, terroir, and culture. For this reason, our region may be missing out on crucial coverage with this group.

## **RECOMMENDATIONS FOR THE INDUSTRY**

What follows is a list of twenty distinct action items which have been crafted from a combination of information gathered by the vineyard and winery survey as well as extensive conversations with members of the wine trade. Each of these recommendations is proposed to increase the competitiveness of the region's wines in the traded sector either directly or indirectly. Some of these recommendations are faster, easier, and less resource intensive than others, but they each share the same goal of increasing traction in the region's target markets and fueling more robust long-term growth for the industry.

### **Marketing #1: Hidden Gems Wine Trail**

**Weakness:** Many smaller producers lack the staffing and resources to adequately market their wines in the traded sector as well as to market their tasting room experiences, resulting in more exposure for larger wineries but additional challenges for smaller wineries.

**Opportunity:** Establish a "Hidden Gems Wine Trail" showcasing wineries which produce fewer than 2,500 cases. This will provide a much-needed spotlight to the 58% of the region's wineries at this production level.

Overview: Modeled after the currently active “Gold Medal Trail” which encourages visitation to Virginia wineries which have won gold medals at the annual Virginia Governor’s Cup, the “Hidden Gems Wine Trail” will also take inspiration from the German Wine Institute’s very successful Generation Riesling (GR) marketing platform<sup>7</sup>. The primary goal of this new trail will be to uplift smaller producers and connect them with visitors and members of the wine trade who are in the market for wines which they have yet to discover in person or in the traded sector. This can be accomplished by the creation of a comprehensive marketing and branding strategy which will provide an online directory of these producers as well as provide talking points and a social media marketing plan for qualifying wineries. Following the example of GR, logoed items such as hats, shirts, and stickers might also help generate excitement for this “off the beaten path” wine trail and provide materials to energize members of the trade who focus on these producers in target export markets.

## **Marketing #2: Connecting Wineries to Free or Low-Cost Branding Services Consultations**

Weakness: There are vineyards and wineries across the region that either because of budget constraints or lack of awareness, have areas of their business in need of professional support. This ranges from branding in need of a modern refresh, to anemic social media marketing strategies, and outdated websites. These shortcomings leave some of the region’s wineries at a tremendous disadvantage in the competitive traded sector.

Opportunity: Arrange free or low-cost consultation sessions for the region’s wineries with local businesses identified as leaders in wine focused label and packaging design, branding, marketing, and website development.

Overview: Encouraging wineries to consider updating their branding/marketing while providing a barrier-free opportunity to solicit professional feedback on these matters will breathe new life into many of the region’s wineries’ marketing efforts. This will

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<sup>7</sup> [www.generation-riesling.de/english](http://www.generation-riesling.de/english)

simultaneously aid in supporting growth in the traded sector as well as raise their business profile in the eyes of potential tasting room visitors. This could potentially be facilitated by providing support to existing organizations such as the Virginia Wineries Association.

### **Marketing #3: Directory of Existing Resources**

**Weakness:** Many vineyards and wineries are unaware of the resources and programs that are currently available to them as offered by a range of governmental and industry organizations. This is a major underutilization of already funded resources.

**Opportunity:** Curate, maintain, and actively market a comprehensive guide of available resources and programs which can serve vineyards and wineries in the region to scale up their businesses, and export wines to identified target markets.

**Overview:** Creating a single online destination which can direct users to the needed category of resources is an inexpensive and straightforward way of increasing use of existing resources. The Virginia Wineries Association (VWA) has already made an admirable effort at this through their website, however there is room for improvement by building that out to include a broader range of information. Additionally, it is suggested that this resource be marketed regularly to vineyards and wineries in the region to expand guide awareness.

### **Marketing #4: Connecting Influencers to Governor's Cup Gold Medal Wines**

**Weakness:** Each year, the top 12 wines from the Virginia Governor's Cup are marketed around the state, country, and world, serving as the vinous flagship of Virginia. There are dozens of wines which win gold medals each year but are not selected for the Case. Target markets may also benefit from exposure to these quality wines as well.

**Opportunity:** Support Gold Medal winning wineries who can opt into a marketing program which will connect their wines with various influencers.

Overview: To not cannibalize the marketing of the 12 Governor's Cup Case Wines, but to also shine light on Gold Medal winning wines, this program would connect the wines to food and travel influencers, rather than wine professionals as with the Case Wines. This could have the impact of having these wines mentioned in print and online, thus increasing tourism, tasting room traffic, and the chances of restaurant diners and wine store shoppers asking about the region's wines in new and existing target markets. Leveraging assistance from Destination Management Organizations in the various localities and the Virginia Tourism Corporation could magnify these efforts.

### **Consumer Relations #1: Tasting Room Secret Shopper Program**

Weakness: Many winery owners and managers struggle to receive crucial feedback about guest experiences. While online reviews can provide some insight, it fails to paint a complete picture.

Opportunity: Develop a targeted secret shopper program which will provide valuable feedback and supply action items to owners and managers regarding every aspect of the guest experience.

Overview: Owners and managers alike report frequently interacting with guests to solicit feedback and carefully monitoring online reviews. However, many consumers will readily admit that they feel uncomfortable providing even constructive criticism and will not take the time to submit online reviews. The maxim that "no news is good news" absolutely does not apply when it comes to customer feedback. By designing and implementing a secret shopping program with trained individuals focused on an industry specific rubric, we can provide willing wineries in the region with unbiased feedback regarding every element of the guest experience: location, parking, hospitality, cleanliness, comfortable facilities, branding, wine quality, tasting experience, and much more. Owners and managers could then share this feedback with their team and develop strategies to improve their guest experience and support the growth of repeat tasting room business.

## **Consumer Relations #2: Consumer Focus Groups**

**Weakness:** As mentioned above, there are barriers to receiving critical feedback. Winery owners and managers may not be receiving the information they need to hear regarding the consumer perception of their wine wines.

**Opportunity:** Fund consumer focus groups to solicit anonymous feedback on perception of wine quality, wine style, packaging, branding, pricing, etc.

**Overview:** Wineries in the region who choose to participate can have their wines included in tasting panels with professionally organized wine consumer focus groups. Like the secret shopper program, this will provide an honest review of all elements of their product from representatives of the general wine drinking public. With this information, wineries may be able to have a fresh take on how their wines can be more attractive in the traded sector.

## **Distribution & Market Building #1: Virginia Winery Distribution Company Review**

**Weakness:** Half of respondents use the Virginia Winery Distribution Company (VWDC) as their exclusive mode of distribution and 62% indicated a desire for a more full-service option from the VWDC. Just over one third of respondents indicated that self-distribution burdens limited their success in expanding their distribution.

**Opportunity:** Undertake an extensive feasibility study on the potential of expanding the VWDC to offer full-service distribution, sales team, and logistics, akin to a traditional distribution company, thus helping more Virginia wines make it to the traded sector.

**Overview:** It is not hyperbole to say that nearly all respondents with wines in distribution shared some data or comment suggesting that challenges with distribution create some level of constriction on growth in the traded sector. On the surface, the answer seems easy: expand the VWDC. However, this is a massively complex issue situated at the intersection of legislative and regulatory challenges, management difficulties, liability issues, complex logistics, infrastructure requirements and more. There are valuable lessons to be learned

by efforts made in this area by other agricultural sectors (ex: the Local Food Hub in Charlottesville) as well as potential partnerships to be formed with established private distribution companies. It is the recommendation of this report that a subsequent study, focused wholly on the feasibility of expanding the VWDC, be undertaken with the goal of identifying what is possible and how to achieve those possibilities.

## **Distribution & Market Building #2: Virginia Wine Roadshows in Target Markets**

**Weakness:** Many wine shop owners, beverage managers, buyers, sommeliers, etc. voice complaints about lack of in-market opportunities to meet Virginia winemakers and taste their wines as they are often visited by winemakers and brand ambassadors from other wine regions.

**Opportunity:** Fund and organize “Virginia Wine Roadshows”, inspired by successful efforts organized by the Willamette Valley and Finger Lakes (i.e. Finger Lakes Wine Alliance FLX Roadshow) wine regions, which bring Virginia winemakers and their wines to the decision makers in target markets.

**Overview:** Many wine purchasing decision makers in the marketplace are interested in small format, intimate “meet and greet” style tastings, featuring just a few winemakers. As our region’s wineries well know, it is as often the stories that sell that wine as the wine itself. These small format tastings not only bring the wines to the busy buyers in their markets, but they also bring the stories behind the labels. Building these one-on-one relationships while tasting through the wines has been shown by other regions to drive sales and build loyalty to both individual brands as well as the entire region. Offering some travel reimbursement to participating producers could help include smaller producers who otherwise might not have the budget to cover the necessary costs, and organizing these trips by including producers from similar localities within the region might reduce the challenges associated with transportation while also fostering the community appeal cherished by fans of Virginia’s wine.

### **Distribution & Market Building #3: Easing Virginia ABC Store Wine Placement Process**

Weakness: Several survey respondents indicated significant challenges in placing their wines on shelves at Virginia's ABC stores. This could potentially be a widely untapped marketplace for the region's wines.

Opportunity: Call on industry leaders with the Virginia Wineries Associate and the Virginia Wine Board to engage directly with the Virginia ABC regarding this issue.

Overview: High level conversations between the Virginia ABC and wine industry leaders might be able to make headway in reducing the challenges in having Virginia wines placed on Virginia ABC store shelves, offering an expanded reach that might be particularly helpful in exporting wines out of producer dense regions such as GO Virginia Region 9, into other areas of the state.

### **Industry Collaboration #1: Vineyard & Winery Equipment Sharing Cooperative**

Weakness: Vineyard and winery equipment is expensive to own and operate and is often only needed for limited tasks or certain times of the season.

Opportunity: Investigate the feasibility of establishing a cooperative equipment sharing entity which could reduce the investment burdens of maintaining and/or expanding vineyard and winery operations.

Overview: The region may be interested in seeking out recommendations about the possibility of establishing a "sunbelt equipment rental style" entity which could allow for the rented use or fractional ownership of certain expensive pieces of vineyard and winery equipment.

## **Industry Collaboration #2: Establish Annual Industry Speaker Series**

Weakness: Many annual meetings and seminars offered in the region rely solely on regional expertise and therefore, likely unintentionally, exclude outside professional viewpoints which may prove valuable to the region's vineyards and wineries.

Opportunities: Establish and fund an annual speaker series with the intentional focus of bringing in outside industry experts to discuss topics which cover wine growing, wine making, and the business and marketing of wine.

Overview: Engaging with wine professionals from successful wine regions across the country will bring fresh perspective into the region and present new points of view on the challenges faced here. Rather than rely on internal members of the trade, this will allow for the growth of collaboration between this area and other winemaking areas and allow Virginia wine to emulate the success of other regions. Hosting these talks twice annually will allow for one meeting to occur in the central Virginia area and an additional meeting to occur in the Northern Virginia area. Including a virtual component will ensure that all are included. Funding will be required to cover travel expenses for the speakers as well as any venue fees. Following the model of similar events designed by the CvilleBioHub, winemakers could attend the meeting with a bottle of wine to share and further increase the value of speaker series by continuing the conversation and deepening the collaboration.

## **Industry Collaboration #3: Sustainability Partnership**

Weakness: As established by this study, many wine buyers identify Virginia as not competitive in the traded sector when it comes to sustainable grape growing and wine making practices.

Opportunity: Support an organization of growers in the region who will work to define and establish best practices for increased sustainability in the vineyard and winery. This will not only serve the environment well but will also make the region's wines more attractive to



consumers increasingly looking for sustainably produced wines, particularly in target markets such as Washington D.C and New York City.

Overview: Many successful wine regions across the country have developed sustainability programs. Taking inspiration from programs such as New York Sustainable Wine, the LIVE certification in the Pacific Northwest, and the Napa Green organization, Virginia could begin to establish itself as a region which is striving to improve in this area. This is not without challenges in this region's climate, but sustainability initiatives can be found even in other similarly challenging areas. This study has revealed several producers in the region willing to establish this program, provided it can be supported with funding.

#### **Industry Collaboration #4: Vineyard & Winery Cost of Production Review**

Weakness: Low vineyard yields and high costs of production make it difficult for Virginia wine producers scale up production and to compete in the entry level and by-the-glass segments of the market.

Opportunity: By reviewing wine industry best practices and adapting them to the unique Virginia circumstances, a guide can be created to offer recommendations for vineyard management and wine production methods to create profitable wines in lower price ranges and insure sufficient inventory to maintain distribution placements.

Overview: Conducting a study on increasing vineyard yields and reducing costs of production in the vineyard and the winery could offer valuable lessons to producers of all sizes throughout the state. This may serve to increase margins on premium wines as well as expanding opportunities for entry level and by-the-glass wines which are one of the keys for increasing the presence of the region's wines in the traded sector.

## **Educational Opportunities #1: Workforce Development**

**Weakness:** There is an underdeveloped pipeline of trained vineyard, winery, and tasting room staff from which the region can pull employees and hiring difficulties remain a significant threat to business growth.

**Opportunity:** Invest in more robust workforce development programs with partners from community colleges and other colleges and universities. Additional education will not only support stronger operations in the vineyard and winery, but business and marketing focused education will support increased success of expanding in the traded sector.

**Overview:** Inspired by programs such as the Wine Business Institute at the Sonoma State University, Virginia could begin to look at offering a more robust and formal workforce development pipeline that not only serves the wine growing and making operations of the region but also the business, marketing, and hospitality needs as well. While the vineyard, winery, and hospitality courses will require significant hands-on training, much of the business and marketing coursework could be completed online, allowing for a lower barrier to entry for students interested in that tract. Forming partnerships at institutions with existing complimentary curriculum such as the University of Virginia, Virginia Tech, Piedmont Virginia Community College, and others, could strengthen state-wide efforts in this regard.

## **Educational Opportunities #2: Support Internship Opportunities**

**Weakness:** Hiring and training an intern can be a risky investment, especially for small businesses.

**Opportunity:** Utilize the statewide Virginia Talent + Opportunity Partnership (V-TOP) grant to hire college aged interns in wineries across the region.

**Overview:** Many aspects of the wine trade require taking a long view of things and it is the same with creating a well-trained workforce. Engaging young people into the wine trade

through internship opportunities can serve as a substitute for those uninterested in traditional educational formats or also as hand-on reinforcement of lessons learned in the classroom. Encouraging vineyards and wineries to invest in these young people by offering funds to cover the costs of interns will not only support businesses now but will also invest in a skilled Virginia wine workforce of the future. V-TOP offers wage matching to businesses who hire interns, so long as the business is at least three years old and has fewer than 150 employees. In Region 9, UVA is the grant-holder for V-TOP and Central Virginia Partnership for Economic Development is a partner on the grant.

### **Educational Opportunities #3: Certificate on Virginia Wine**

**Weakness:** Inconsistent messaging in tasting room and lack of knowledge on restaurant floors, in wine bars, in wine shops, and among distributors sales teams often leaves Virginia out of the conversation or at a major disadvantage in the marketplace.

**Opportunity:** Develop an accessible, online Virginia wine certification program available to Tasting Room staff, wine trade, and consumers, with targeting marketing throughout Virginia, Washington D.C., New York, and beyond, giving them talking point and confidence to direct consumers to purchase the region's wines.

**Overview:** Professional wine certification programs are at an all-time high. The Wine & Spirit Education Trust (WSET), one of the world's foremost and most respected formal wine training institutions, has reported record growth of their enrollment each of the past four years. Although a global program which is based in London and offered in 75 countries, the United States is their largest market, showing a 15% growth rate last year and representing a total of 22.5% of total student body<sup>8</sup>. This demonstrated a sustained appetite in the US for formal wine certifications. Although Virginia has officially received its first mention as part of the WSET program's prestigious Diploma in Wine qualification, Virginia has largely lacked inclusion in most wine education. As such, it is not often a topic that many members of the on-trade and off-trade have the confidence to discuss with their guests. Offering a Virginia

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<sup>8</sup> WSET Global "WSET Education Available in More Countries Than Ever",

wine specific certification program will ensure that the region stays competitive with other regional wine certification programs such as those seen in the West Coast wine trade, in Texas and in international wine regions such as the country of Georgia, and various French, Spanish, and Italian regions as well. Capitalizing on this current passion for certified wine knowledge, Virginia can position itself as the next big talking point with wine professional working in target markets while also ensuring that the information shared is favorable and factual representation of the region.

#### **Educational Opportunities #4: Sponsoring Immersive Educational Trips**

**Weakness:** Wine industry decision makers from identified target markets and beyond lack firsthand experience with Virginia's wine, making it difficult to excite sales energy.

**Opportunity:** Subsidize visits to the region by connecting with high performing wine professionals working in target markets through essay contests and/or educational presentations and testing.

**Overview:** Capitalizing on the recent inclusion of Virginia in the WSET Diploma curriculum and engaging with students of top level study programs such as the Institute of Masters of Wine, Virginia has the chance to create lifelong ambassadors out in target markets who will have a special dedication to championing the region's wines due to the goodwill generated by such experiences.

#### **Industry Wide Branding #1: Agricultural Partnerships**

**Weakness:** There is a disconnect between the marketing efforts of Virginia's various agricultural products.

Opportunity: Develop cross-industry marketing to support “what grows together, goes together”, and leverage Virginia’s position as a major agricultural producer to uplift marketing across the entire sector.

Overview: Discussions of food and wine pairing often revolve around a tried-and-true principle: “what grows together, goes together”. This is nothing more than a simple way to say that the food of a region often pairs best with the wines of the same region. As a major agricultural producer, Virginia can spotlight its rich farming bounty as an attractive selling point. Collaboration between Virginia’s meat, poultry, fish, seafood, and dairy industries alongside Virginia wines could define Virginia as a region that excels in producing top quality food and drink while at the same time making efficient use of funding and resources.

## **Industry Wide Branding #2: Anti-Alcohol Campaign Awareness**

Weakness: A 2023 World Health Organization (WHO) report stated that no level of alcohol consumption is considered safe, thus adding momentum to the already strengthening anti-alcohol lobby.

Opportunity: Educate the region’s producers about the efforts sponsored by California wine and other alcohol industry groups to combat anti-alcohol messaging in the market and ensure Virginia has a seat at the table in these efforts.

Overview: The temperance movement did not disappear with the repeal of prohibition and has in fact seen significant growth in recent years<sup>9</sup>. Increasingly anti-alcohol lobbyists are working to paint the alcohol industry as a different version of big tobacco. The California based Wine Institute has developed a campaign entitled “We Grow Wine”, highlighting the more agricultural nature of wine as compared to other forms of alcohol and framing wine in the context of a healthy lifestyle. Other California based initiatives include the “Come Over October” campaign, which highlights the cultural and social importance of wine. Connecting these efforts with leadership of the Virginia Wineries Association and the

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<sup>9</sup> “The Campaign to Remove Wine from Your Dinner Table”, Wine Spectator, September 3<sup>rd</sup>, 2024

Virginia Wine Board will be a strong first step in educating wineries in the state on how to combat this messaging in their individual marketing efforts and further help them understand the way in which to successfully pitch their wines in the traded sector as well.

### **Business & Accounting #1: Finance Educational Resources**

**Weakness:** The challenges of business accounting in vineyard and winery management are unique and widely not covered by general business accounting resources making bookkeeping a challenge.

**Opportunity:** Develop professionally prepared training material, including video instruction, which covers how to address vineyard and winery specific accounting challenges.

**Overview:** Many respondents expressed confusion and difficulty in navigating the nuances of vineyard and winery accounting ranging from understanding the cost of goods to how to depreciate the costs of a grape vine and many other topics in between. By working with businesses to formulate a list of frequently asked questions and partnering with a professional accounting firm with specialized vineyard and winery accountants, we can provide accessible reference materials to all Virginia wineries useful as they navigate their state and federal tax and business accounting. Funding would be required to compile the materials and compensate the professionals engaged in the project, but the finished product could be available through hosting with the Virginia Wineries Association or other trade body.

### **Business & Accounting #2: Funding Resources**

**Weakness:** Many business owners and managers in the region's wine trade lack awareness of what financing options may be available to them. Cash flow and capital investments are two significant common constraints.

Opportunity: Work with agriculturally focused financial institutions, grant organizations, and government backed programs to clarify what financing options are available to vineyard and winery owners.

Overview: By meeting with agriculturally focused and community banks, along with other funding providers, the industry could form a funding resource guide to help new and existing vineyard and winery owners. This will provide understanding of the financial challenges in establishing and operating a vineyard or winery as well as provide direction on what funding resources and options might be available to help support business growth.