

THE WINE INDUSTRY TODAY

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UNIVERSITY**

SCHOOL OF
BUSINESS & ECONOMICS
**WINE BUSINESS
INSTITUTE**



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Greetings from the Wine Business Institute.

I want to welcome you to our second publication looking at today's wine industry landscape. Like the previous issue, we will feature our faculty and their research, board members sharing the view from where they sit in the value chain, and a profile of one of our alumni.

This issue begins with an examination of the market for wine in China, by Economics Professor Chong Kim. From there we move onto the macroeconomic outlook and the impact of the November elections with Economics Professor Rob Eyster. Wine Business Assistant Professor InHaeng Jung shares with us preliminary research into gender equality in the wine industry and the potential benefits to retention and the bottom line.

Next, we will look at the wine industry's increasing integration of environmental, social, and governance practices with Board Member Michelle Ausburn of BPM. Wine Industry Faculty Member Joel Miller of ChateauHR will give us insight into the challenges of employee retention in today's hot job market. Board President Ron Rubin of River Road Family Vineyards and Winery will guide us through his thinking and execution of sustainability initiatives in the wine industry.

Following, there is a snapshot of other research underway with our faculty at the Wine Business Institute.

To conclude, we have an interview of alumnus Nate Weis at Silver Oak and Twomey Cellars, who is part of the next generation of wine industry leadership in California. The interview was conducted by my colleague Nigeria Cole; her sharp eye and precision continue to shape the standards of this publication.

I want to share with you that I'll be retiring from Sonoma State after graduation on May 18. The university is currently interviewing candidates to succeed me and Nigeria will provide continuity during the transition.

This has been the most rewarding work of my career. I appreciate the role that so many of you have played in advancing our mission at the Wine Business Institute. We have much of which we can be proud.

Please stay in touch.

Ray Johnson
Executive Director



Global Market Analysis

ECONOMIC TRENDS IN CHINA'S WINE MARKET

Insight into the Chinese wine market – opportunities, risks, and predictions for future consumption

Written by Chong Kim, Ph.D

Department Chair and Professor of Economics,
Sonoma State University

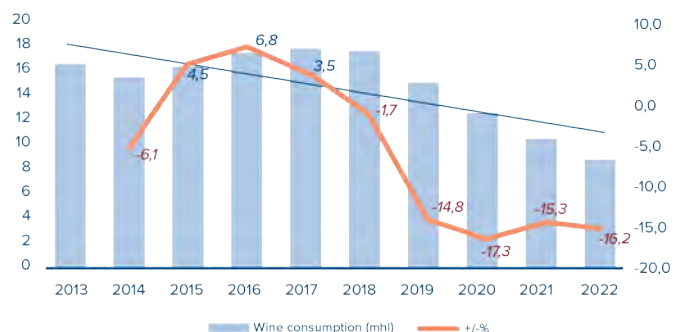
This report aims to provide a summary of changes in the Chinese wine market over the past three years, with the purpose of assisting the U.S. wine industry to gain a better understanding of the current dynamics in the Chinese market. Firstly, I summarize the survey on wine consumption conducted by The Hong Kong Trade Development Council (HKTDC) in 2020, targeting 1,440 Chinese consumers. Following the presentation of the survey results, my goal is to compare the predicted 2023 Chinese wine market expectations, based on the survey at that time, with the actual outcomes of the 2023 wine market. For this study, I use the following two papers as the main references: “China’s Wine and Spirit Market(s): Wine Consumption Trends and Habits” by HKTDC, Nov 2020, and “China’s Wine Market(s)” by EU SME Centre, Nov 2023.

According to the HKTDC survey in 2020, the Chinese wine industry predicts that China will become the world’s second-largest consumer of wine by 2023, as it increasingly becomes a part of daily life for many Chinese. They expect that despite the impact of the Covid-19 pandemic on the global economy, the wine market in China will remain stable. A majority of respondents in the survey indicated that they would continue to buy and consume wine at the same frequency and grade, with some opting for higher quality wine in the future. The survey conducted in May 2020 revealed that 41% of respondents, aged 26-55, consume wine at least once a week. Red wine (94%) was the most popular type purchased in the past year, followed by white wine (35%) and champagne/sparkling wine (25%). The primary reason cited for drinking wine was the belief in its health benefits (54%).

Contrary to the expectations set in 2020, as of 2023, China stands as the eighth-largest consumer of

wine in the world. China represents 4% of total wine consumption, experiencing a notable increase in wine consumption from around 10 million hectoliters in the early 2000s to a peak of 17.9 million hectoliters in 2017. However, a reversal in this trend occurred, with wine consumption decreasing by 2 million hectoliters per year, reaching 8.8 million hectoliters in 2022. This translates to 0.6 liters per person per year, significantly lower than other major wine-consuming countries worldwide.

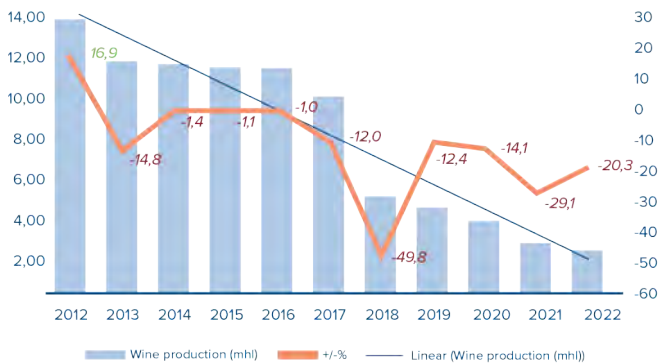
WINE CONSUMPTION IN CHINA (2013 - 2022)



Source: China’s Wine Market(s) by EU SME Centre, Nov 2023

Similar to consumption, Chinese domestic wine production has been decreasing every year over the last decade, dropping from 13.8 million hectoliters in 2012 to 2.14 million hectoliters in 2022. This is despite rising investment in wine production from Chinese companies as well as foreign companies.

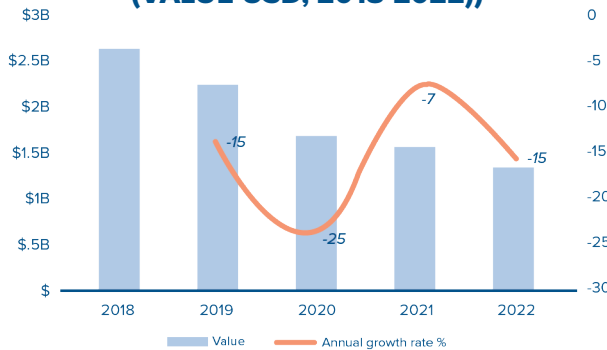
WINE PRODUCTION IN CHINA (2012 - 2022)



Source: China's Wine Market(s) by EU SME Centre, Nov 2023

The value of wine imports into China has been decreasing over the past years, even before the beginning of the Covid-19 pandemic. According to statistics released by Chinese Customs, Chinese imports of wine have been continuously declining since 2018. However, wine imports from countries such as France, Chile, and Italy have shown significant growth in China.

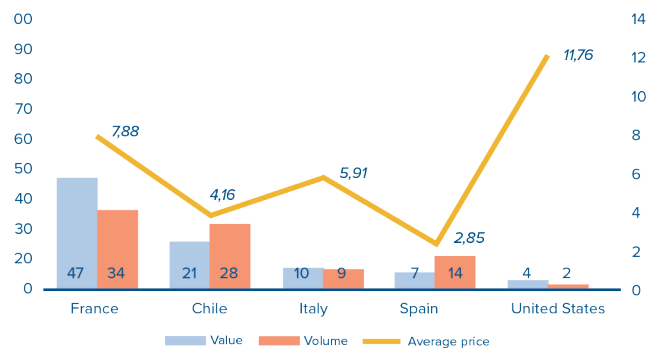
CHINESE IMPORTS OF WINE (VALUE USD, 2018-2022)



Source: China's Wine Market(s) by EU SME Centre, Nov 2023

It is clear that the Chinese wine market is no longer a rapidly growing double-digit market, but it is still important to American winemakers. Despite this decreasing trend, wine culture in China has grown significantly. The decrease in consumption may be temporary due to the Chinese domestic economic situation, and Chinese customers seem to purchase more expensive and high-quality wine, which can be an explanation for the decrease in the frequency of wine consumption. The fact that the average price of American wine in the Chinese market is the highest compared to wines from other countries can be considered positive, reflecting a shift in trends among Chinese consumers.

% MARKET SHARE OF TOP 5 EXPORTERS OF BOTTLED STILL WINE (VALUE & VOLUME, 2022)



Source: China's Wine Market(s) by EU SME Centre, Nov 2023

However, contrastingly, there are undeniable and apparent risks in the Chinese market that cannot be ignored. The wine market in China is more influenced by government policy decisions than market adjustments based on supply and demand. U.S. winemakers seeking entry into the Chinese market should exercise caution, considering the uncertainties arising from China's domestic economic situation and diplomatic relations with the United States. The 212% retaliatory tariff imposed by China on Australian wine in 2021 carries significant implications for the U.S. wine industry.



Domestic Economic Insights

WINE INDUSTRY HEADWINDS AND TAILWINDS

Analysis of the macroeconomic outlook, predictions and projections for the 2024-2026 calendar years

Written by Rob Eyler, Ph.D
Professor of Economics, Sonoma State University

As of March 2024, three themes have dominated this year's economic news and landscape. First, labor markets are creating jobs and putting upward pressure on wages and economic forecasts for the U.S. economy. Second, all signals suggest interest rates will fall in 2024, beginning a trend that should last through 2025 at a slow pace. Third, and related, inflation continues to meander down from recent heights achieved in 2022 and 2023, which should help consumers and travelers in the United States.

Silicon Valley Bank (SVB) published its annual forecast in January 2024 for the wine industry (specifically California's wineries and vineyards). The highlights include the following takeaways:

- Full-category wine sales volume fell.
- California tasting room visitations were lower in 2023 than in 2022; improvement is expected in 2024.
- Direct-to-consumer sales will grow modestly in 2024.
- Wine oversupply is becoming more likely, but premium wines are more balanced in terms of supply and demand in 2024.

When considered against the macroeconomy, the SVB takeaways are due to a lack of consensus for a forecasted recession as of January 2024 through this year and 2025. This should keep American consumers buying wines and traveling. Travel helps support tasting room visitation and thus is net positive for direct-to-consumer (DTC) sales throughout California, Oregon, and Washington. Oversupply concerns are also driven by import competition, primarily in lower price-point categories. However, watching premium sales and the need for discounts to stay competitive as consumers consider other beverages at lower price points, is likely a theme for 2024 and perhaps 2025.

The last half of 2023 boosted the American economy, primarily due to consumer spending outpacing estimates and fueling job stability or growth in many industry sectors. One sector was tourism throughout the United States. Napa and Sonoma County tourism employment has recovered from the pandemic and expanded due to relatively strong travel seasons during 2021-2023; this growth compounded a return of revenue to the region and supported hundreds of workers and industries. Wineries have seen those augmented returns in tasting rooms and wine club sales, though 2023 was a slower year than 2022. The big question is 2024.

The last half of 2023 provided more forecaster confidence in the American economy for 2024 and 2025. However, a slow-moving economy may imply consumers move down in price point (we see below that in the latest forecast for 2024 to 2026 income growth after inflation is slower in 2024 and 2025 than in 2023).

A continued reduction in the probability of recession has fueled equity markets to rise quickly since fall 2023, led by companies such as NVIDIA as prescient of more returns to artificial intelligence, a need for faster semiconductor chips, and a bet on interest rates falling in 2024.

Forecasted Macroeconomic Variables for U.S. Economy, 2024 to 2026, % Changes Forecasted			
	REAL GDP (%)	UNEMPLOYMENT RATE (%)	CORE INFLATION (%)
2024	+2.4%	3.9%	2.1%
2025	+1.8%	4.1%	2.0%
2026	+2.2%	4.1%	2.0%

Source: Federal Reserve, California Department of Finance, SSU

The above forecasts and considerations for 2024 lead to three things to watch this year and in 2025 for the wine industry and business outcomes.

- 1.** The presidential election may reduce wealth in Fall 2024 if the election’s outcome is more uncertain or messaging coming from either party is perceived as more detrimental for businesses after 2025.
 - A reduction of interest rates in summer or fall 2024 may assuage some investor concerns.
 - Reductions in wealth may change travel in fall 2024 and also luxury items or holiday spending.

- 2.** In 2024 or 2025, final sorting of restaurant and retail issues is likely.
 - Commercial real estate markets are predicted to begin a new set of outcomes in terms of leases changing and continued investment or divestiture within United States urban areas.
 - Such changes can affect restaurant and retail demand, especially if more restaurants that would have extensive wine lists may no longer exist.
 - The return of international travelers and continued growth of business travel may offset that issue in the short-term, not the long.
 - The potential merger of large retail outlets could also change the amount of distribution demand for wine.

- 3.** Reduced inflation does not mean a shift back to 2020 levels of business costs.
 - Smaller wineries will remain pressured by prices that have already increased.
 - Consumers, if the economy slows or equity markets have some mild contraction due to a mix of domestic and global politics and profit-taking, are likely to move down in price points rather than up through 2025.
 - Wineries in Sonoma, Napa, Lake, and Mendocino counties will likely see some profit pressures through 2025, given the predicted mix of slower spending and cost pressures.



Diversity Research

GENDER EQUALITY IN THE WINE INDUSTRY

Survey findings highlight the business case for gender equality in the wine industry

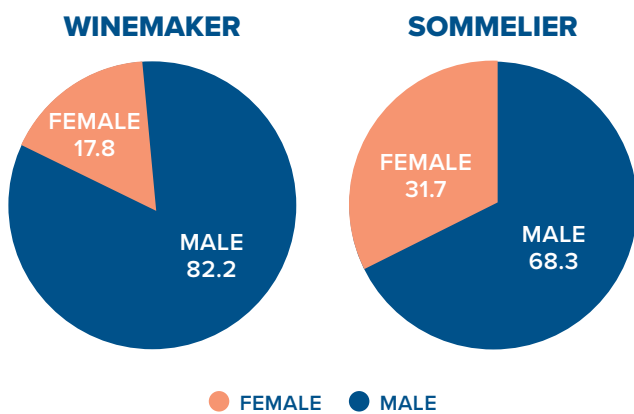
Written by InHaeng Jung, Ph.D

Assistant Professor of Wine Business, Sonoma State University

Gender inequality is a pressing issue across all sectors, and the wine industry is no exception. A recent report by Zippia (2023) highlights that the representation of genders among winemakers and sommeliers is noticeably skewed. This imbalance is a concern that mirrors broader societal challenges, underscored by research from Alonso et al. (2021), Livat & Jaffré (2022), and Moskin (2020); who pointed to significant global gender inequity throughout the wine industry.

The wine industry's response to gender equality discussions has been cautious, perhaps due to its traditional nature. Though the wine industry has made strides to remove barriers for women, systemic obstacles still remain (Star, 2021). Nonetheless, acknowledging and addressing these issues is crucial. Our research takes a closer look at how gender dynamics affect professional experiences across the industry, revealing that this imbalance not only impacts the work environment but also contributes to a higher turnover rate among professionals, disproportionately affecting women and gender minorities.

Our survey, which included responses from 189 wine industry professionals across the U.S., provided insightful data. Approximately half of the respondents were women, with an average age of 49, and a vast majority identifying as Caucasian (90%). The results confirmed that female professionals and gender minorities in our industry are navigating through gender discrimination significantly more so than their male counterparts. This discrimination doesn't just sour the work experience; it also influences intentions to leave the industry, with men showing a lower inclination to part ways.



Considering these findings in a broader context, in the world of wine, diversity is not just a value; it's essential for innovation and excellence. The implications of our study are twofold. First, it underscores the need for the wine industry to foster a more inclusive environment. Addressing gender discrimination is not just a moral imperative, but a strategic one, as diverse perspectives are crucial for innovation and growth. Second, the industry's attrition rates among talented professionals could decrease by creating a more equitable and supportive work environment.

Moving forward, research should focus on developing targeted strategies to combat gender discrimination in the wine industry. This includes:

- Implementing and evaluating training programs aimed at reducing biases and promoting inclusivity.
- Exploring the impact of mentorship programs to support women and gender minorities in their career development.
- Investigating the economic benefits of gender diversity within wine businesses, providing a compelling case for equality.

In conclusion, achieving gender equality in the wine industry is not just about balancing the scales; it's about enriching the entire ecosystem. By embracing diversity, the industry can unlock its full potential, ensuring a future that is as vibrant and diverse as the wines it produces.

This research was a collaborative effort involving colleagues from the University of Nevada, Las Vegas (Cass Shum, Ph.D., Scarlett Baughman, and Jaimi Garlington) and the Wine Business Institute at Sonoma State University (InHaeng Jung, Ph.D.). While we're eager to share the detailed findings, they are slated for publication in a top-tier hospitality journal, expected in Summer 2025. We look forward to engaging with others interested in enhancing diversity in the wine industry and welcome insights and collaboration at Winelab@sonoma.edu.

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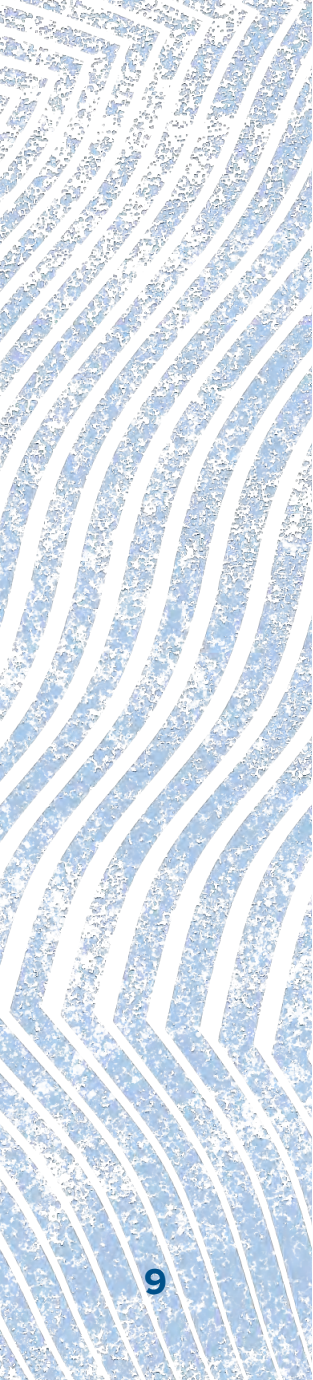


Trade & Market Dynamics

HARVESTING CHANGE

Integrating environmental, social, and governance (ESG) practices in the wine industry

Written by Michelle Ausburn
CPA – Partner, BPM, WBI Board Member



Between California’s Climate Accountability Package passed in November of 2023, the EU’s Corporate Sustainability Reporting Directive (CSRD) signed in January of 2023, and the UK’s adoption of the Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) later this year, industries and companies of all sizes can anticipate heightened ESG expectations, particularly around environmental sustainability.

For California’s Climate Corporate Data Accountability Act (Senate Bill 253), all companies that do business in California will be required to publicly disclose their greenhouse gas emissions, which includes their supply chain emissions (Scope 3). If you are a wine business that sells to companies that earn over \$1B – think Costco, Walmart, Target, Kroger, and so on, you will likely be required to report your emissions to these customers.

Due to the nature of the industry’s operations, supply chains, and product offerings, wine and agriculture have a high carbon footprint and rely heavily on natural resources. A few priority areas for the industry include:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
<ul style="list-style-type: none">• Sustainable agriculture• Land stewardship• Water conservation• Energy conservation• Renewable energy• Biodiversity• Resilient ecosystems• Responsible packaging	<ul style="list-style-type: none">• Economic development• Professional development of underrepresented communities• Inclusive culture• Employee health & safety• Diversity & inclusion	<ul style="list-style-type: none">• Responsible marketing• Ethical business practices• Data privacy & cybersecurity• Responsible consumption• Supplier accountability• Board diversity & engagement

Your company is likely thinking about how to address these ESG issues in your business strategies and operations, if not already implementing strategies and tracking progress. Business leaders have an opportunity to invest in cohesive strategies and narratives that both highlight the work that their companies are already doing, while enhancing the goals of the organization and its stakeholders.

Based on where your company is in its ESG efforts and the questions you are asking yourself, you might tackle the following:

Before we start, we want to know what our peers are doing.

Develop a peer benchmark that illustrates the goals, programs, policies, and reporting practices of your peers. This highlights where your industry is heading, what you might be expected to work towards, and opportunities for you to lead. Many companies also lean into this as an educational opportunity for those who will be making decisions and implementing this work throughout their organizations.

We're overwhelmed or don't have the resources. What can we do? Where do we start?

Conduct a materiality assessment to identify ESG topics relevant to your specific business and prioritize accordingly. A few examples of industry-relevant topics are listed in the table provided, but a materiality assessment will specify your exact priority areas, how your organization defines them, and what your stakeholders want to see from you in these areas. This process engages internal and external stakeholders, as well as assesses your industry, customers and investors, regulatory trends, and reporting expectations. In getting this comprehensive view of ESG for your company, you have an opportunity to address urgent and potential compliance matters.

For example, by prioritizing, Constellation Brands achieves meaningful outcomes and allocates resources strategically. Through a comprehensive materiality assessment, they identified six core commitments, established both quantitative and qualitative targets, and implemented a system to track progress. This targeted strategy enables them to cultivate a unified team with shared values, invest in critical communities for business growth, and effectively prevent and tackle climate-related adversities.

We know our priorities. What's next?

Collaborate with your company's leaders to **build an ESG strategy roadmap** – their buy-in and engagement are crucial. Create committees based on your ESG focus areas and get input on industry commitments, goals, and strategies from your team. These strategies should balance your company's ambition and reality, acknowledging that this work will continuously evolve and be done over your company's lifetime. The roadmap outlines goals, key performance indicators, timelines, and responsible parties.

We already have an ESG/CSR/impact leader spearheading this work, but they are only one person.

More often than not, ESG leaders are on their own to build ESG strategies and implement the work themselves. Whether you have a dedicated ESG leader or ESG is an added responsibility for someone on your team, they are likely asking for support. **Hiring a fractional ESG team or an on-demand ESG Controller** can accelerate your company's ESG efforts by taking care of areas such as market research, employee education and engagement, or greenhouse gas emissions accounting so that your ESG leader has the space to focus on company-wide goals and strategies.

Customers, investors, or other stakeholders are asking for specific ESG-related information. How do we keep up?

Collect data and track progress regarding the ESG topics, metrics, and disclosures that matter to your stakeholders. There is plenty of overlap across common ESG disclosure frameworks, customer questionnaires, and reporting systems. Once your company builds internal processes for collecting and maintaining a single source of truth for this data, you can begin streamlining each report. To take this one step further, **automate your performance management and reporting using ESG technology.**

We're already doing great environmental or social impact work. How do we get credit for that?

Spotlight your work by **publishing ESG reports, launching ESG webpages, or pursuing certifications**, such as B Corp. ESG reports and webpages signal to investors that you are committed to long-term value creation. Certifications communicate to customers that you create products with the highest standards of social and environmental responsibility.



Industry Specific Insights **IS JOB LOYALTY DEAD? THE RISE OF JOB HOPPING**

The increase in short-term employment within the industry

Written by Joel Miller

Owner/Principle, ChateauHR, Wine Industry Faculty Member

Job-hopping appears to be the “new normal.” While the idea of life-long employment with one company died off with the boomer generation, we’re now seeing an ever-increasing trend of short stints with numerous companies, known as job-hopping. Companies are struggling to retain their top employees, and the churn of talent is affecting all aspects of the wine industry. What’s behind this obvious trend? What can employers do about it?

U.S. data shows the average stay at an employer (tenure) is between 2-3 years for most millennials and generation Z employees, down dramatically from 5-8 years a generation ago. Tenure continues to decrease, with 6 out of 10 employees likely to seek out a new job within the year. These macrotrends are seen all across the wine industry as well, leaving many companies scrambling to find key talent.

With online recruiting, finding a new job is easier than ever. Two clicks bring up a bountiful list of open jobs, and applying takes under a minute. Demand for new hires is at a peak, due to both retirement and talent churn. Winejobs today has over 900 jobs listed, all posted within the month. Two recent posts for Napa Tasting Room Managers garnered 85 resumes within a week, with more than half fully qualified. Wine talent is clearly on the move.



How Are You Managing the Tight Labor and Talent Situation Today?



WINE INDUSTRY
Financial
SYMPOSIUM

Data from
Nov. 2023 Symposium

Each year, the Wine Business Institute at Sonoma State, surveys wine industry executives on the current landscape of their company. In July 2023, the majority of our 301 respondents noted that as the cost of labor continues to increase throughout the industry, wineries are investing in their employee wellness, company culture, and increasing compensation. These factors play a key role in improving employee retention efforts impacted by the rise of job hopping.

U.S. survey respondents cite three key reasons for the move:

- Salary**
 Money is always a primary factor. The economic laws of supply & demand exert increasing pressure on base salaries as employers compete for scarce talent. This also creates wage compression as more tenured employees see starting wages rise all around them.
- Upward Mobility**
 Mobility and career growth are major factors in job-hopping. Younger workers expect and demand internal mobility and opportunities, with two-thirds saying they would jump to a new job if their current employer limited their career growth.
- Company Culture**
 Company culture is also a prime consideration. Employees are becoming more choiceful about the workplace environment, how people are treated, and what the company stands for. Issues of social responsibility and sustainability are far more influential today as well.

So – what’s an employer to do? In a simple notion, become an **“Employer of Choice,”** a company that people aspire to join and thrive at during their career. In the wine world, it has less to do with the quality of the wine, but instead the quality of the leadership. Caring and connected leadership makes a huge difference.

Be able to articulate the **WIIFM – “What’s in It for Me”** as an employee (besides a steady paycheck and benefits, which everyone provides). This includes genuine and timely feedback, thoughtful career discussions, training and talent development, and special projects and efforts to help grow employee’s skills while delivering results.

Reduced job tenure is an irreversible trend. It demands that employers shift their focus to become an employer of choice, or suffer the inevitable woes of talent churn.

THE VIEW FROM MY CORNER OF THE INDUSTRY

Q & A with WBI Board President and Sonoma County Vintner, Ron Rubin of River Road Family Vineyards and Winery in Sebastopol, California



Ron Rubin is the proprietor of River Road Family Vineyards and Winery, and The Republic of Tea.

During a recent interview with Ray Johnson, Ron talked about his experience and shared advice for wineries looking to succeed in today's competitive market, including the importance of investing in sustainability.

You've been involved in beverages broadly, bottled water, specialty tea, wine, spirits and beer distribution. What have you learned over the years about how these categories are similar and how they are different?

Let's start with how they are different. Wine, spirits, and beer have so many laws and regulations, more so than in the specialty tea industry. The wine, spirits, and beer business is much more difficult to navigate.

What makes it difficult to me is that we like to innovate, yet the innovation part is more difficult in wine compared to specialty tea. In specialty tea, we can turn around an innovative idea in six months, rather than two years in the wine business. Also, a big difference is that with wine, beer and spirits we have to go through three-tier distribution, while that is not required in the specialty tea industry.

I'll be leading a panel discussion later in May on the theme of 'how to succeed in distribution'. What would you want people to know, how can they be more successful in today's competitive environment?

For the small winery, no way, you can't win. You have to figure out something creative. Figure out how not to go into distribution. If I was going into the wine business today, I would not go into distribution.

You have quite a partnership with Total Wine & More. How would you advise others who want to create a partnership with a major retailer?

It's all about relationship building. Try to find a little niche, a wine that they may not have. Go and talk to them. Find the niche.

You have been a leader in the arena of sustainability. Talk about what it means to you, as a company and as a person.

Sustainability is hard to define, everyone has their own definition. What it means to me as a company and as a person is the entire business. We focus on five impact pillars: workers, environment, governance, customers, and community.

What have you noticed about your customers? Do they feel strongly about sustainability and if so, how does that manifest?

Purchasing from B Corps ensures you are supporting sustainable manufacturing and farming practices, which in turn creates a healthier planet for all of us. The vast majority of millennial customers want to buy from companies whose values align with their own. River Road Family Vineyards and Winery is a

Certified B Corporation committed to accountability, transparency, and continuous improvement.

What is it like for River Road Family Vineyards and Winery to have become a Certified B Corporation? You are one of the few companies that are B Corp Certified.

Being a Certified B Corporation is the beginning of a lifelong journey of social, environmental and business improvements for our winery. We recognize becoming a B Corp is an honor and a responsibility to continually improve.

Would you recommend B Corp Certification to our colleagues in the wine industry?

Definitely.

Your vineyards and winery are located in one of the most beautiful places in California. Talk about how you chose to locate there?

Back in the 70's at the University of California, Davis I learned that to have great wine, you needed great

grapes and for that great soil. For me personally it is the Goldridge fine sandy loam soil in the Green Valley of Russian River Valley.

What would you recommend to someone who wants to enter the wine industry today?

For me personally, education, what I learned at UC Davis and Sonoma State. That's where the professional knowledge is. The other way to enter today is taking advantage of all the online wine classes, the cost is reasonable.

Several of your team members have studied at the Wine Business Institute at Sonoma State. Talk about what that is like from the owner's perspective. Do you see the ROI?

Part of our mission is continuous education. We want everyone at our winery to continue their education. We want them to study at Sonoma State. Our team members make great networking connections and relationships. Ray, you invited me to be on the board and that opened up many connections.

How does it change them or what changes do they bring to the table after earning their Wine MBA?

It changes their confidence and abilities. With experience, they become more confident. You can see it in how they talk to consumers and others. It's about building confidence that builds their leadership. You're building leaders.

What would you share with our youngest wine students, just starting their careers? What advice would you give them?

Try to do something as an intern, that's a starting point. Most important is finding a mentor, someone to help and guide you.

What else would you like to talk about?

You have to be your own brand builder. When you see a problem, come up with a solution to the problem.





Faculty Research Updates

A LOOK AT CURRENT WBI RESEARCH STREAMS

Research Overview at Grape Expectations Research Lab (GERL)

InHaeng Jung, Ph.D

Assistant Professor of Wine Business, Sonoma State University



Hailey Brooks (Left) and Christine Pagaduan (Right)

Hailey Brooks, a junior at Sonoma State University, is double-majoring in Business Administration and English, with concentrations in Marketing, Wine Business, and Creative Writing. She currently works as a Marketing Assistant for Associated Students and has secured a summer internship at Korbel Champagne Cellars, aiming to build a career in marketing.

Christine Pagaduan, a first-generation student, is pursuing a B.S. in Statistics with minors in Mathematics and Economics. She is set to graduate in Spring 2024 and is actively applying for positions in the field of Analytics.

Under my mentorship, Hailey Brooks and Christine Pagaduan are undertaking a pivotal study titled “Exploring the Influence of Sustainability on Consumer Wine Choices.” This research is pivotal in assessing how the interplay of environmental, social, and economic sustainability factors influences consumer decisions in the wine industry. It highlights the often-neglected social and economic dimensions without sidelining the critical environmental sustainability focus (Biasutti & Frate 2016). The increasing consumer consciousness about environmental fragility is shifting towards more thoughtful food and agriculture choices (Bisson et al., 2002). This shift underscores the necessity to investigate how sustainability cues shape consumer perceptions and purchasing actions (Schäufele & Hamm, 2017).

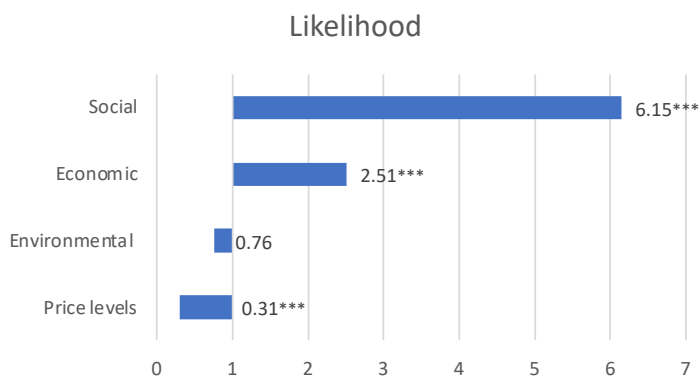
We employ a discrete choice experiment (Gracia et al., 2007), presenting participants with combinations of wine options differentiated by price, among other sustainability attributes such as hand harvest, organic, and family ownership. A total of 356 US-residing wine consumers were tasked with selecting their preferred wine from two choices alongside a no-purchase option.

From our initial binomial logistic regression analysis, the likelihood of consumers choosing wine was found to be most significantly

influenced by social sustainability factors, as indicated by the high odds ratio of 6.15, suggesting a strong preference for wines associated with positive social impacts (see graph). Economic sustainability also had a notable influence on consumer choice, with an odds ratio of 2.51, indicating that economic factors are also a priority for consumers. Conversely, environmental sustainability, depicted by the organic label, was not a statistically significant influence on the likelihood of choosing the wine. As expected, higher prices were found to negatively influence consumer choice, with an odds ratio of 0.31 indicating that as price levels increase, the likelihood of choosing a wine decreases significantly.

This study reveals a compelling trend: consumers demonstrate a higher propensity to select wines that are marketed with a focus on social and economic sustainability. Although environmental sustainability has traditionally been a focal point, our research suggests that there may be significant value in emphasizing additional aspects of sustainability in wine promotion. For instance, emphasizing attributes such as family-owned vineyards, women-led winemaking teams, or the artisanal quality of hand-harvesting could resonate strongly with consumers. These factors, which have a more direct human connection, might be as influential as organic or environmentally friendly labels in guiding consumer choices.

More detailed findings will be discussed in detail at the upcoming American Association of Wine Economist conference and will be published in a peer-reviewed journal alongside our student authors. This research not only aims to provide actionable insights for the wine industry to encourage broader sustainability among consumer choices but also serves as an educational tool for students in wine-related fields at Sonoma State University. By including students as co-authors, the project also aims to bridge the gap between theoretical knowledge and practical research application. It is an honor for us to represent Sonoma State University at the CSU-wide research competition for the second year in a row. Our research highlights the importance of comprehensive sustainability information in the wine industry, enabling more informed and sustainable consumer choices. We eagerly anticipate sharing our insights with others who are passionate about promoting sustainability in the wine industry and welcome further insights and collaborations at Winelab@sonoma.edu.



(the triple asterisk (***) denotes statistical significance, indicating that the findings are highly unlikely to be due to chance. Furthermore, values greater than 1 represent higher odds, meaning there is a greater likelihood of consumers choosing wines associated with these factors)





HOW DID YOU GET HERE?

An interview with Nate Weis
Vice President of Winegrowing,
Silver Oak and Twomey Cellars,
WBI Board Member

In a recent interview with Nigeria Cole, Nate discussed his journey as a winemaker and how his Sonoma State Executive MBA has shaped his career, notably in leadership roles at Silver Oak and Twomey Cellars.

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Our Executive MBA in Global Wine Business provides a transformative 18-month journey, equipping wine industry professionals with essential knowledge and skills to excel in their chosen areas of the wine business.

Where did you grow up?

I am originally a native of Los Angeles, but I grew up in St. Helena and went to high school in Santa Rosa.

How did you get interested in wine?

My father was and still is in the wine business; he started out working for the Mondavi Family. My earliest memories were of being up on the catwalks in the winery at Vichon. Later he became the winemaker at Groth.

I went to the University of California, Santa Barbara (UCSB) as an undergraduate. While studying at UCSB, I often thought about what I would find fulfilling as a future profession. Memories of working with my father outside immediately came to mind; wine seemed interesting as an industry.

What was your very first job in the wine business?

My father said I should work my first harvest at Groth to see if I truly liked it, so I did. We worked together alongside my cousin; it was sticky, muddy, dirty, a great time!

After my first harvest in the Napa Valley, I dropped an application to UC Davis into the mail and left to work my next harvest at Craggy Range in Hawke's Bay, New Zealand. I worked for an

American named Doug Wisor, the winemaker for Craggy Range at the time. Doug had a gigantic influence on all of the interns. He passed away far too young in 2004 and we helped start a scholarship program in his honor called the Doug Wisor Memorial Scholarship. This program still exists today through Craggy Range and supports American winemakers who wish to intern in New Zealand.

Talk about your path, from where you started to where you are today.

When I returned to California, I started at UC Davis, worked a harvest that fall, completed my degree and started my career. I was the Cellar Master at Etude, then Assistant Winemaker at Patz & Hall. One of our custom crush clients was Antinori; they were planning to take back control of their property and I was honored to be asked to become their winemaker.

Six years later, in late 2013/2014, WBI Executive MBA Professor, Eric Sims introduced me to someone on the management team at Silver Oak, who were working on the succession plan for Daniel Baron. I went there undercover as a tourist to observe and spoke to their tasting room manager. She raved about working there! I was determined to be the person they chose as the third winemaker in company history. In 2016, I became the



Director of Winemaking, then Vice President of Winegrowing in 2019.

I'm proud to say I've only had two jobs over the last fifteen years.

Winemakers with business degrees were not common back then; there were only a few of us. In my opinion, my experience at Sonoma State played a prominent role in being selected as a member of the Silver Oak team. Yes, I had the experience and creativity on how to make wine, but the fact that I had an MBA in wine business solidified the deal. It has been a valuable tool and has provided me with the opportunity to be involved in more strategic decision-making within the business.

Talk about a few leaders that you admire, in or outside of wine.

Prema Kerollis is certainly one, because of her energy and compassion. She has her own way of leading and owns it.

I would include many people who work here at Silver Oak, people with important titles and those without, throughout the

organization. Those who care about the company, their co-workers, and our culture.

Remi Cohen at Domaine Carneros. I hear her name constantly when I ask young people in the industry who they look up to.

I admire Siya Kolisi, the first black man to captain the South African Springboks national rugby team. He's led them to two world cup titles and is, in my opinion, one of the more inspirational figures in sports.

I am also a fan of author and motivational speaker, Simon Sinek and Jocko Willink, a retired Navy SEAL officer and author.

What do you enjoy most about your work today?

I love the fact that our organization is big enough to bring in new people. I'm at the age where I think about the next generation and the key role that I play to not only spot talent, but develop it. I take this very seriously. I also love the entrepreneurial approach of the Duncan Family.

What advice would you give to an aspiring undergrad, one who wants to start a wine industry career?

Follow what's going to make you happy rather than what pays the bills. What you become an expert in is what you are going to enjoy. Learn every aspect of the business and don't be afraid to leverage your network.

Talk about the good that the wine industry does for the community.

I admire the work that the Napa Valley Vintners (NVV) and Sonoma County Vintners (SCV) do. I am proud of the work we do for the Napa Valley Farmworker Foundation and the Sonoma County Fundación de la Voz de Los Viñedos; these specific organizations and their programs enhance the lives and professional development of vineyard employees.

Where do you think you will be in 10 more years?

I hope that in ten years many of the people I've encountered and helped are thriving and that I may have played a small role in that.

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