

WINE INDUSTRY

# Financial SYMPOSIUM

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CIA@Copia, Napa, CA

# Measuring and Maintaining Consumer Engagement

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# Measuring and Maintaining Consumer Engagement

Ryan O'Connell, outsources all his work to customers and winemakers

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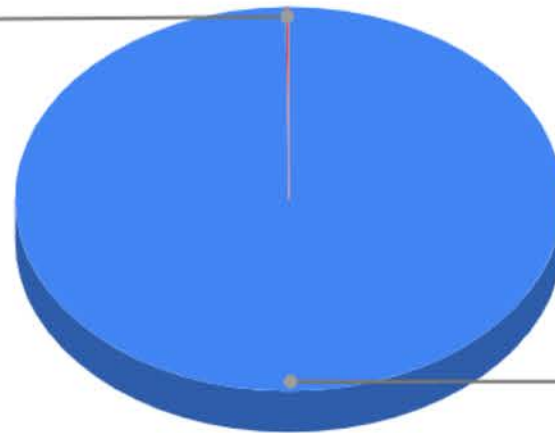
@nakedwinescom

# Data keeps us honest

**Vintages marketers say is "the best ever"**

A year in the past

0.2%



The one they're selling  
99.8%

# In this session...

- We're going to talk about how you can take guesswork out of your business
- Examples of how it's worked really well for us
- And some pretty epic fails...

# The obligatory company spiel



[nakedwines.com](http://nakedwines.com)



# We're a crowd-funded winery...



nakedwines.com

- We connect winemakers and wine drinkers directly

## **Funding**

- Over 100,000 customers called Angels put \$40 a month into their Naked piggy banks
- They can use that money to buy any of our wines whenever they like (at insider prices!)
- And while it builds up in their accounts, we leverage those funds to invest confidently in winemaking projects around the world

# And we're customer-obsessed



nakedwines.com

- Our customers help us decide everything!

## **Crowd-sourcing**

- What winemakers should we support more?
- Should we pursue new wine projects or focus on existing wines?
- What states should we go to next?
- What IT projects should we do next?
- What wines and winemakers should we promote heavily?
- How should we price the wines?



# Can you trust me?

- You can...
  - We have over 100,000 subscribed customers and millions of ratings
  - We're publicly traded so you can look into the numbers
  - We're one of the largest wineries in the country and all of our sales are DTC
- But actually, you shouldn't
  - You should ask your own customers and look at your own data
  - That's the great thing about data!

# Our favorite question ever...

**Would you buy these wines again?**

If you've tried them tell us what you think



**Francoise Gazeau Cremant de Limoux  
Brut Classique 2017**

\$14.99

No

Yes



**Sacchetto Pinot Grigio Spumante Brut**

\$11.99

No

Yes

# Now we can say a wine is 95% rated



? WE'RE NOT SURE

## DRG Alexander Valley Cabernet Sauvignon 2017

by Daryl Groom

USA

Cabernet Sauvignon

... More

**95%**  
of 74  
would buy again

Market Price \$35.99

**Angel Price \$19.99**


**You Save \$16.00**

1

**Add to basket**



# Or it's not doing so well



**LOW STOCK**

✓ YOU'LL LIKE THIS

**DRG Daryl Groom  
Barossa Shiraz 2017**  
by Daryl Groom

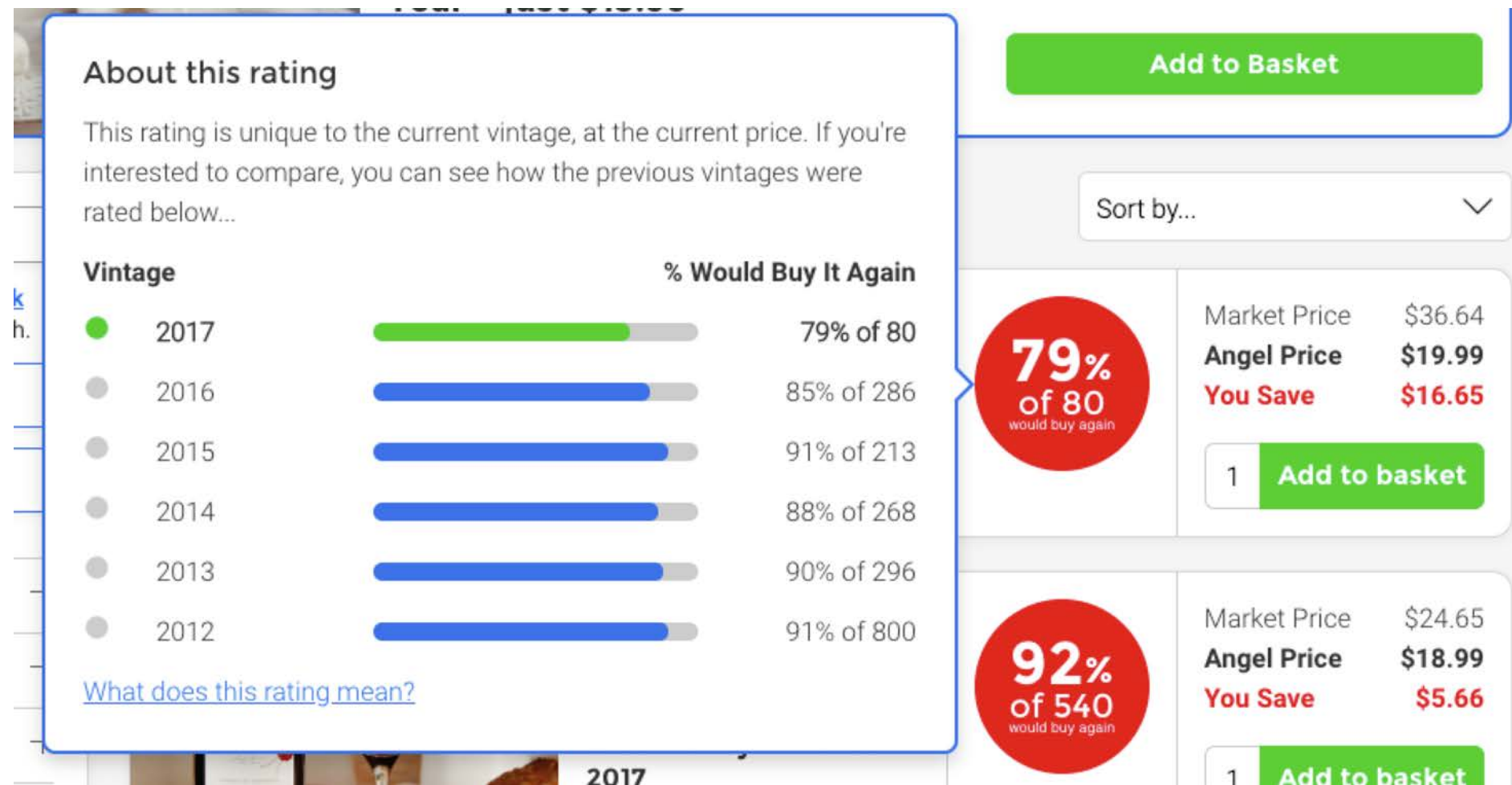
Australia Syrah | Shiraz ... More

**79%**  
of 80  
would buy again

Market Price	\$36.64
<b>Angel Price</b>	<b>\$19.99</b>
<b>You Save</b>	<b>\$16.65</b>

1 **Add to basket**

# And customers can drill down...





# So what do you do with that?

- We use 90+ ratings to promote wines
- Show the highest rated wines to new customers who we don't know much about

# People follow the ratings



## A special single-vineyard red from your Winemaker of the Year – just \$13.99

Stephen's latest 90%-rated Red Angel blend is smooth, juicy... and straight-up delicious

Market Price

\$21.99

Angel Price

\$13.99

You Save

\$8.00

Add to Basket

favorite family producers — bringing you a delectable mix of brambly fruit flavors and great texture.

- **Matt's supernatural Napa Cabernet — 90+ rating**  
"This wine is on par with cabs I have had that cost 3 times as much." — David, Angel

- **Stephen's legendary Arabella Cabernet — making a name for itself!**

Stephen was the first international winemaker to make crowd-favorite Arabella Cabernet has been at the top of these vintages later, that 90% rating is still going strong!

- **Camille's hand-harvested Cab — aged for 20 years in Oak barrels... from the premiere hillside of Napa Valley**  
And to think, without Angels, her dream project would not have existed. Camille lost 100% of her grapes to drought in 2017 — but your special funding gave her the vineyards. This limited-edition Napa Cabernet is a true reward!

- **Plus Richard's classic 90%-rated Angel staple**

## Great news! Your Best Wines of the Year shipment is now here

With an average rating of 92% and more than 9,000 Angel ratings combined, these reds and whites are the cream of the crop from 80 winemakers you fund around the world.

Good thing I put a few aside throughout the year to save for a special case like this!

Peek into this case and find smash hits like Alexandra's Che Blanc (over 2,600 reviews!), Matt's 96%-rated Napa Valley T (one of your highest-rated wines on record) and David's Gold medal-winning Lake County Cab. And after a few more months tucked away in the cellar, these wines are drinking finer than

All wines

Red wine

White wine

Rosé wine

Sparkling

Highest rated wine

Gifts

Wines you've ordered before



## Highest rated

Our customer's absolute favorites

# But also...

- We shape your user experience based on those ratings
  - We change what wines you see on the webstore
  - And we make recommendations based on what you like and DISlike
  - One of the biggest customer complaints in the early days was that their favorite wines were often out of stock



# And now for the first failure

- In the early days, we almost ran out of wine a few times
- A big customer complaint was that their favorite wines were often out of stock
- And the other big complaint was that they didn't know when their favorites were back in stock

# We obsessed over recommendation

- We struggled to try to move people on to new wines they might enjoy instead of their favorites
- We tested many recommendation algorithms
- And we tried cross-selling and up-selling and all the other MBA-sellings
- But they wanted to know about their favorites...



# We asked customers what they wanted more than anything

- The TOP answers above “lower prices” or “better wines”...
  - They wanted to know when their favorites were almost sold out, before they sold out
  - And they wanted to know when their favorites were back in stock

# The most profitable campaign we run?

- Every 2 weeks
- a digest of your favorite wines coming back in stock or about to run out
- We had the data all along
- And customers helped us read it

nakedwines.com

Your Angel Balance: \$40.00

Ooh! 2 of your favorite wines are back in stock

Hi Ryan,

You loved the **Benjamin Darnault Côtes du Rhône**, so you oughta know it's baaaaack!

Thanks to your positive feedback we were able to fund Benjamin Darnault to make this wine again, and a new vintage of that delicious wine has just hit the site.

Get yours now

And one more wine you LOVE is now back in the game too...

**Wines YOU love that just came back in stock:**



# So then we wondered...

- A large chunk of our customers never rate wines
- But we still know what their favorites are – they're the wines they buy over and over
- So we tested including them in this digest email
- Lo and behold...
- And this is becoming a stat we show winemakers too

# Okay, but are you just bad at upselling?

- That's a great question, slide #21.
- Now let's talk about a success story in the cross-sell / up-sell



Should D.H. Elliott go high or low?

Vote



# We asked customers

- Instead of insisting on an up-sell at the point of sale
- We asked customers if one of our intrepid winemakers should make a more expensive reserve wine.



## Should D.H. Elliott go high or low?

After the stunning success of D.H.'s Pinot Noir, he's got a question about the next vintage. Would you spend \$2 extra for him to make a Reserve version?

**\$11.99**

**\$9.99**

The first time D.H. released his Pinot Noir, 35,000 bottles sold before we could spell out his full name. 91% of Angels loved this wine and told us they'd buy it again, so we funded another vintage and pre-sold over 50,000 bottles at the drop of a hat.

In short, D.H. Elliott Pinot Noir is a phenomenon.

He's making more and he has an important question. Would you be interested in him making a Reserve version?

\$9.99 Pinot blends wine from different parts of California to try to make the juiciest little Pinot imaginable

\$11.99 Pinot includes wine from expensive regions - (we just can't list them on the bottle) - and D.H. will incorporate a bit of oak so the Pinot is a bit richer and more powerful

They'll both taste great, but the \$11.99 will be more refined and decadent. To get this quality, DH will need to know soon.

What we need to know is... are you prepared to pay an extra \$2 for the First Class upgrade?




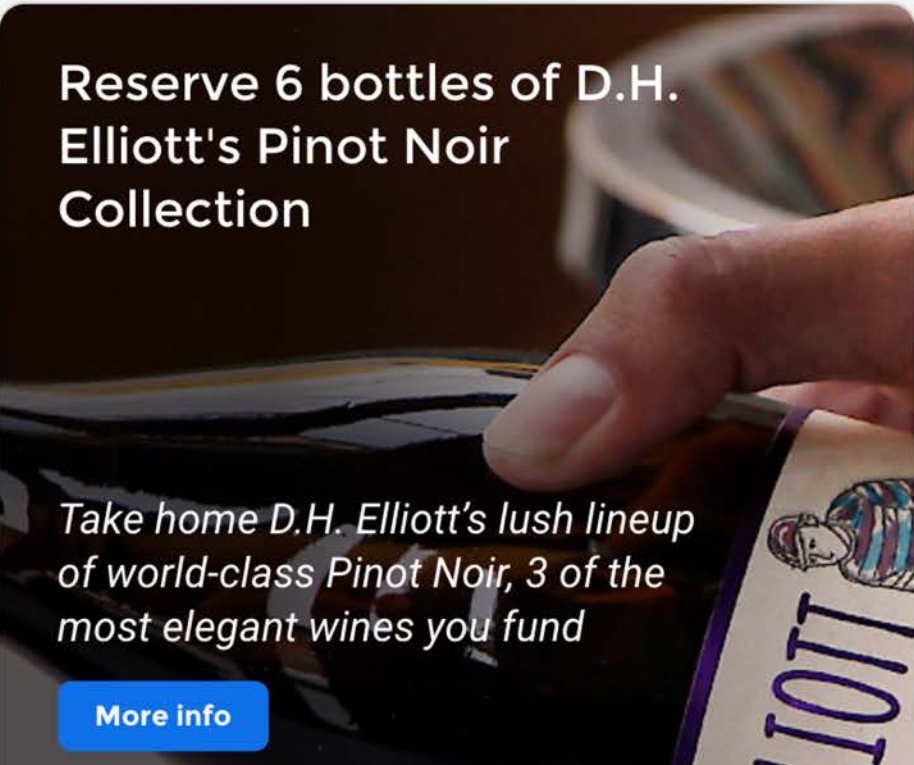
# The results



# We just pre-sold 1000 cases last week

[nakedwines.com](#)[Wines](#)[Cases](#)[Winemakers](#)[Groups](#)[People](#)[Naked Me](#)[Earn \\$40](#)

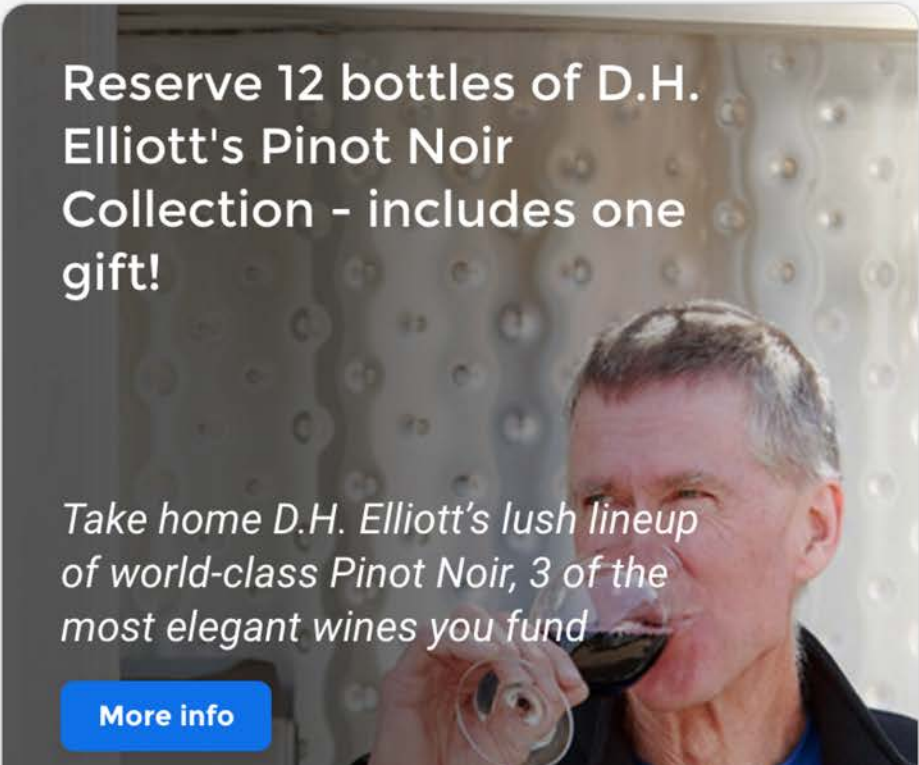
 Delivery is included over \$100, and \$9.99 below that



Reserve 6 bottles of D.H. Elliott's Pinot Noir Collection

*Take home D.H. Elliott's lush lineup of world-class Pinot Noir, 3 of the most elegant wines you fund*

[More info](#)



Reserve 12 bottles of D.H. Elliott's Pinot Noir Collection - includes one gift!

*Take home D.H. Elliott's lush lineup of world-class Pinot Noir, 3 of the most elegant wines you fund*

[More info](#)

# Okay... let's take a breath

- I'm going to go into a completely different direction
- so this is a good time to stop and check in with you all

# Part 2 – what about the bad ratings?

- We've got something like 7 million ratings
- And on average, 90% are positive
- But that means we get 700,000 negative ratings

# Managing winemakers to success

- In the early days, we took a very simple approach
  - Good ratings = Good
  - Bad ratings = Bad
- What's more, our inventory phasing was very sporadic, so we didn't have reliable run rates – ratings were all we had



# Winemaker feedback

- 80% isn't bad!
- My wine still sells out – so what's the problem?
- Why do I get reviews that say “I don't drink red wine” – why did you buy and review my wine at all?

# A scorecard



**Alexandra Farber** **86.4/100**

Total wines: 6  
Last updated: May 19 2019

**Summary of wines**

	Score
Alex and Ryan Present Napa Valley Sauvignon Blanc Semillon 2017	85.7
Alex and Ryan Present Rudys Petite Sirah 2016	71.1
Miriam Alexandra Napa Cabernet Sauvignon 2016	71.6
Miriam Alexandra California Chenin Blanc 2017	90.6
Miriam Alexandra California Chenin Blanc 2018	100.0
Miriam Alexandra Reserve Prince Vineyard Chenin Blanc 2018	99.0



# ENGAGEMENT OVERVIEW

TOTAL FOLLOWERS: 2645

## INTERACTIONS

Last 30 days

Wall posts: 166

Replies: 1

Reply rate: 0.6%

Reply rate over 90%: No

Last 90 days

Wall posts: 494

Replies: 102

Replies rate: 20.6%

Reply rate over 90%: No

## ORIGINAL POSTS

Last 90 days

Original posts: 1

More than one post per month? No

Group posts: 1

Last year

Original posts: 8

More than one post per month? No

## PRODUCT POSTS

Products launched in last year: 5

Posts within 10 days of launch: 1

Above minimum posts? No



# Miriam Alexandra California Chenin Blanc 2018

**Overall score: 100.0**

List price: \$16.99

Angel price: \$9.99

Cost price: \$2.80





# Some sales stats

## INVENTORY

Bottles sold: **24,519**

Bottles remaining: **643**

First sold: **Feb 15 2019**

Last sold: **May 18 2019**

New premix bottles sold: **5,281**

Repeat premix bottles sold: **1,533**

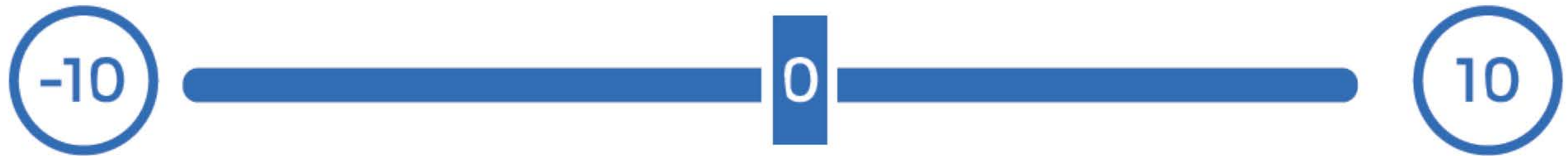
New bespoke bottles sold: **885**

Repeat bespoke bottles sold: **16,820**

Free bottles sold: **0**

# Runrate targets

RUNRATES



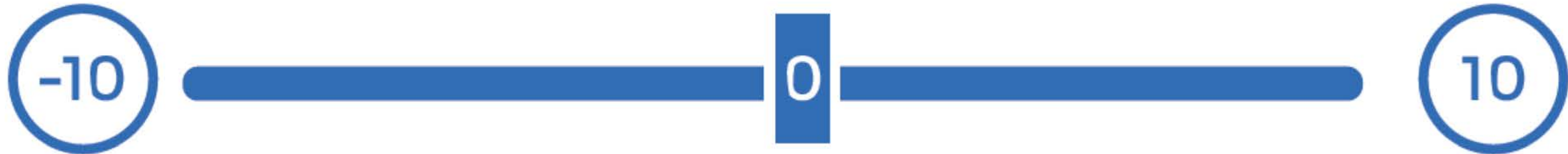
Target repeat bespoke: **30,722**  
**bottles/year**

Actual repeat bespoke: **78,493 bottles/year**

**RUNRATE SCORE**  
**+10.0**

# Rating targets by style

BUY IT AGAIN



Target bespoke ratio: **88.0%**  
Actual bespoke ratio: **92.9%**

**BIA SCORE**  
**+10.0**



# Miriam Alexandra Napa Cabernet Sauvignon 2016

**Overall score: 71.6**

List price: \$54.99

Angel price: \$17.99

Cost price: \$7.76





# Some sales stats

## **INVENTORY**

Bottles sold: **17,856**

Bottles remaining: **1,683**

First sold: **Aug 29 2018**

Last sold: **May 18 2019**

New premix bottles sold: **4,866**

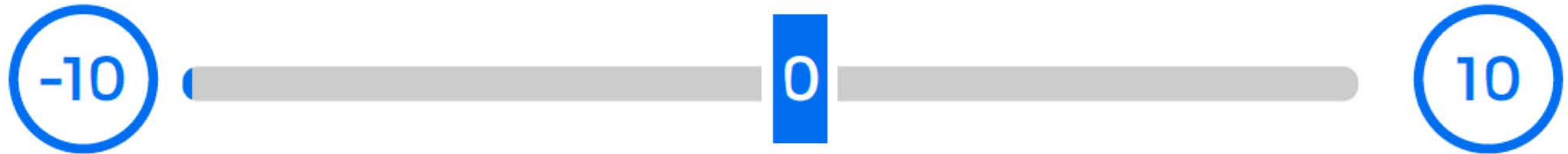
Repeat premix bottles sold: **2,646**

New bespoke bottles sold: **143**

Repeat bespoke bottles sold: **6,826**

# Runrate targets

RUNRATES



Target repeat bespoke: **43,004**  
**bottles/year**

Actual repeat bespoke: **10,573 bottles/year**

**RUNRATE SCORE**  
**-10.0**

# Rating targets by style

**BUY IT AGAIN**



Target bespoke ratio: **90.0%**

Actual bespoke ratio: **90.4%**

**BIA SCORE**

**+1.6**

# I still sell out...

- In the early days, every wine sold out
- They were almost all small batch and because we only had 10,000 Angels, sudden growth spurts of 1,000 Angels meant you would run out of wine 10% faster!
- And even as we grew, we would actively market wines in order to avoid sitting on underperforming wines



# 80% isn't bad

- 80% is still a large number if we know how to target the right 80%
- If the trial of the wine is high enough, 80% can still be a substantial volume of customers
- St Emilion example, lower the volume to satisfy the group of customers who love it, and actually increase the investment in the wine

# Why did you buy my wine?!

- We sell a lot of curated mixed cases
- And when we ask “Would you buy it again” some customers say no because they wouldn’t have bought it to begin with
- We keep that data to avoid underserving the customer, but we don’t hold that rating against the wine

# Appendix

# Customers give you data all the time

- Every time a customer orders, that's a data point
- Even when customers aren't shopping with you, that's a data point



# Naked USA -- Mature Engagement Heads Up Dis

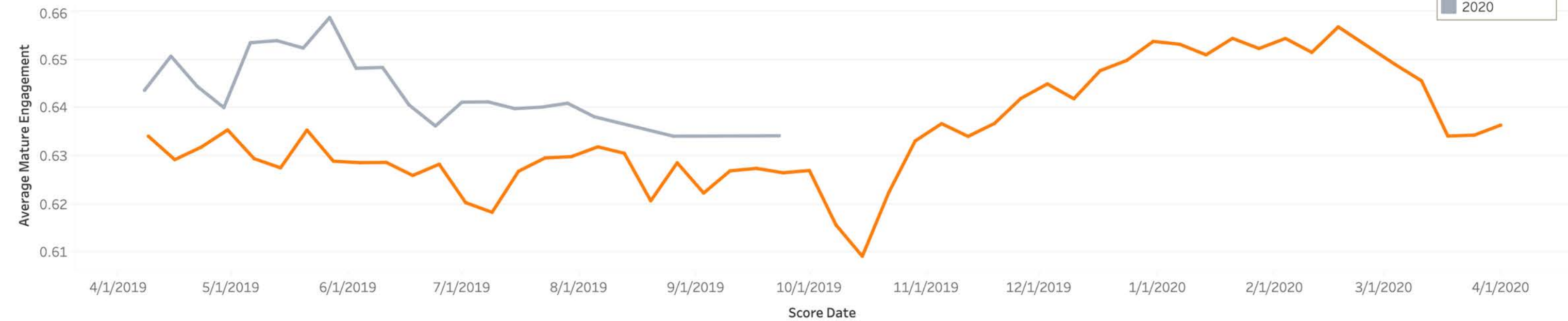
Active members with at least 120 days tenure at the score date

Low index values correspond to low engagement. High index values correspond to high engagement.

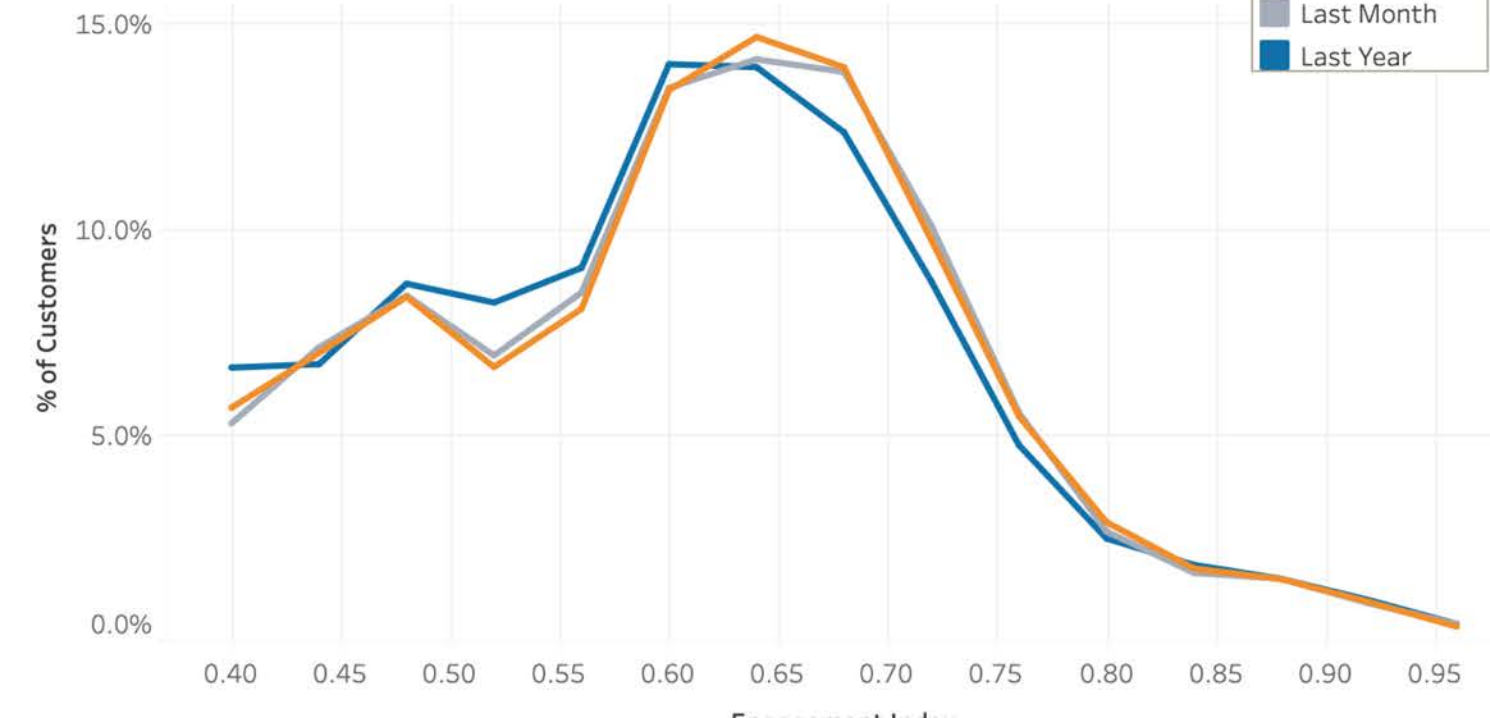


Tenure  
(Multiple values)

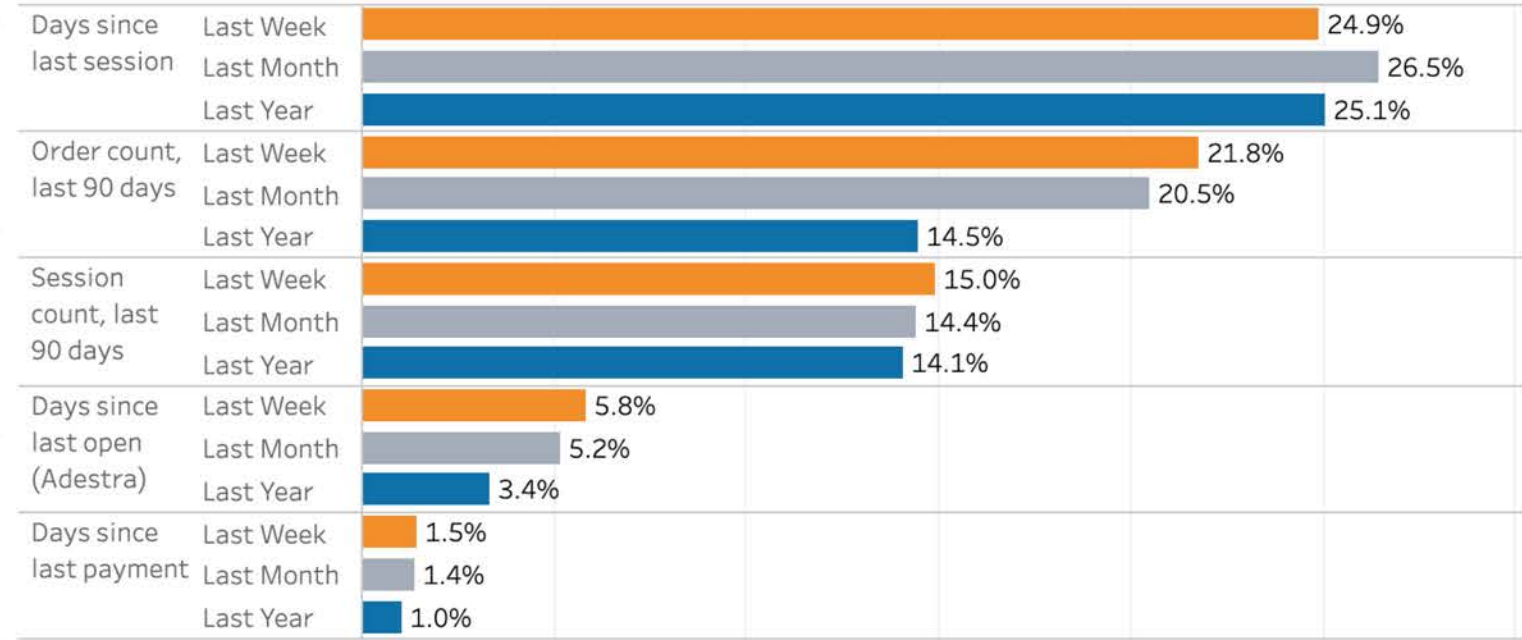
## Engagement Index Over Time



## Engagement Index Distribution



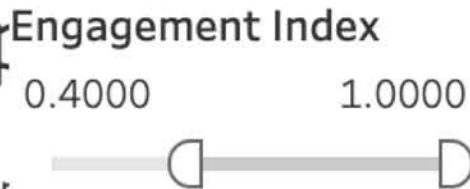
## Top 5 Negative Factors This Week Choose FR



# Naked USA -- Mature Engagement Heads Up Dis

Active members with at least 120 days tenure at the score date

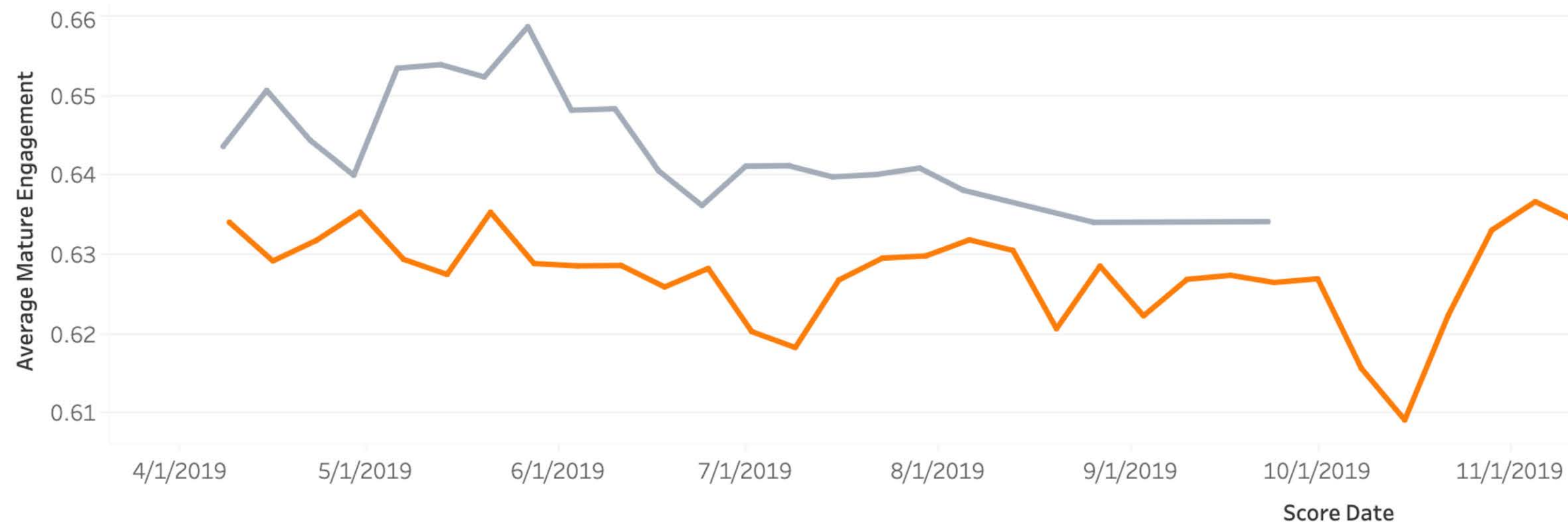
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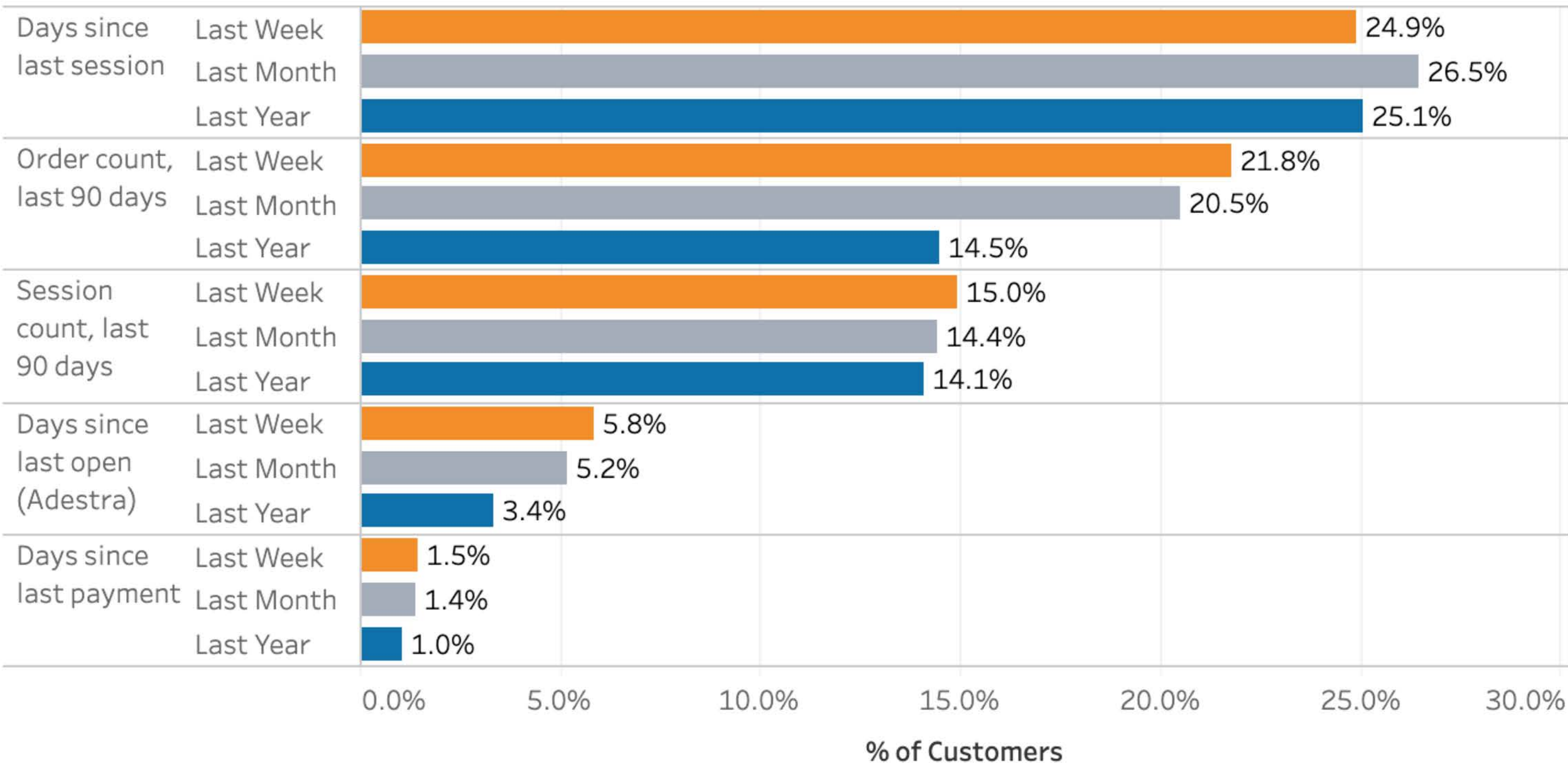
Tenure

(Multiple values) ▼

## Engagement Index Over Time



# Top 5 Negative Factors This Week Choose FR



# Example of customer engagement dashboard

- Concludes that we need to drive traffic to website?
- Or the batch fail example might be more relevant?
- Talk about Wine Advisors?

# Customer driven pricing



# But sometimes, the data is simpler

# We outsource almost all of our jobs to customers

- What wine styles and grapes we carry?
- How deeply we invest in winemaking projects?
- What state should we go to next?
- What IT projects should we do next?
- What wines and winemakers should we promote heavily?
- How should we price the wines?
- The right balance between crazy new projects and delivering the classics?
- Whether you're actually creating value with events and tastings?

# Do you ever wish you knew...

- Which customers were about to leave your club?
- Whether you're creating any value with events and tastings?
- If you should make a new wine or focus on what you already do?

# How should we think about data?

- Listen to your customer
- Serve customers well
- Inform important business decisions

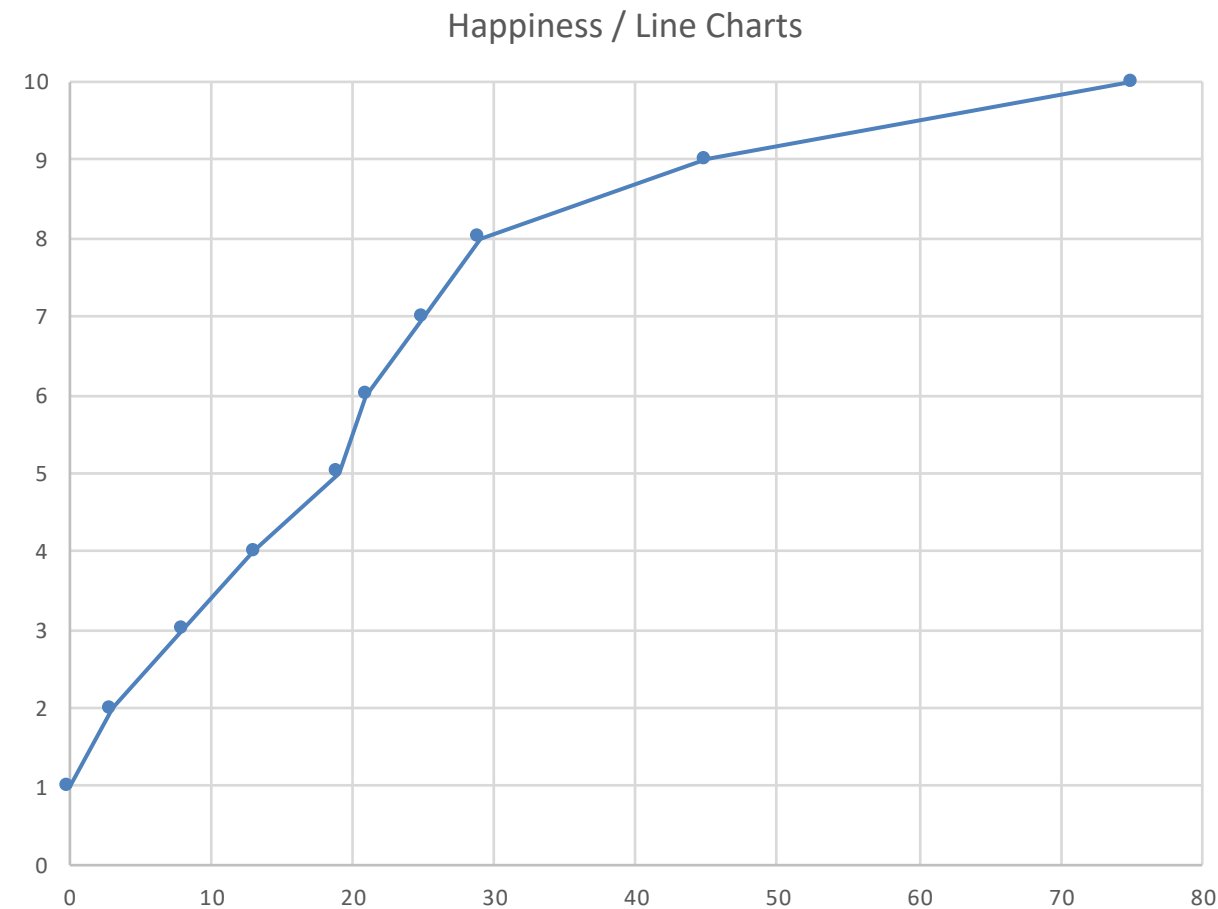


# WARNING:

## You can have good data but make bad decisions

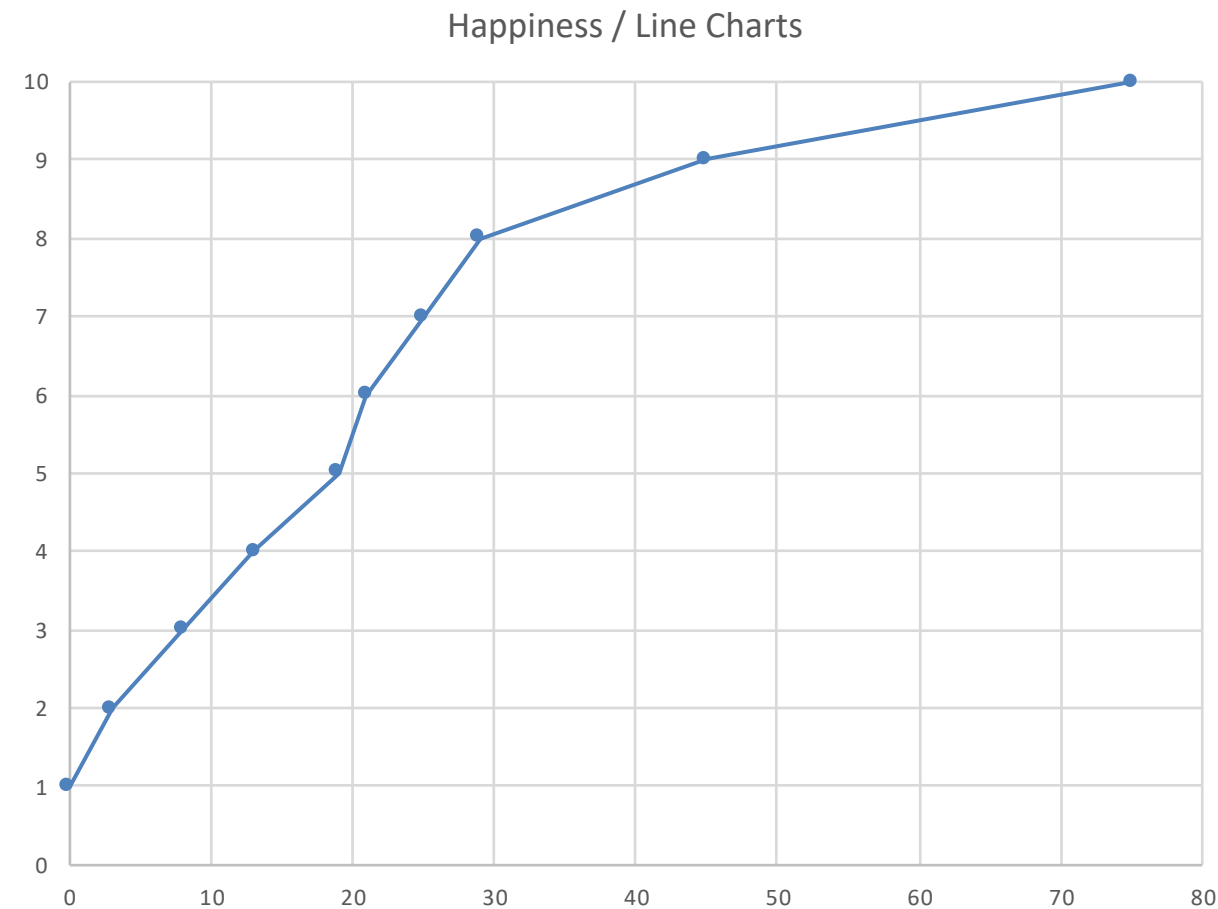
- Creep out or annoy your customers
- Optimize yourself into being a worse business
- Manage important business decisions

# A bit of context about how we work and how we think about data



- We connect winemakers and wine drinkers directly
- Unique business model tends to be really interesting to us, but maybe only to us
- We love data

# We outsource all our



- Recommend better wines
- See when we're faili
- We love data