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Santa Barbara County Wine Preserve Creates Sustainable Marketing Funding for Local Wine Industry

Santa Barbara County, California— For the last two years, the Board of Directors of the Santa Barbara Vintners has been steadily working on creating a solution for sustainable funding to promote local wineries. The nonprofit association is dedicated to the promotion and protection of Santa Barbara County’s wine industry. After much discussion with vintners, stakeholders, and County officials, the industry decided to begin the process of forming a new Wine Business Improvement District (BID) called the Santa Barbara County Wine Preserve. The effort is being guided by association CEO, Alison Laslett.

The Wine Preserve will be funded by a 1% fee charged to the consumer on all Direct-to-Consumer (DTC) sales that also incur CA sales tax. (Sales shipped out of state will not be assessed.) The funds will power a designated organization for marketing and education programs. The fee is collected by a third party from the wineries and distributed to the new Wine Preserve organization.

Currently, Santa Barbara County’s wine industry marketing is funded through various channels, including events, grants, sponsorships, and membership dues to the Vintners Association. “The ambitions of the industry continue to outpace the funding available,” explains Laslett. “The Wine Preserve is the most effective, efficient, and influential solution to create long-term, meaningful and stable funding for promoting our entire wine region. Competition for wine

tourism has never been greater. Santa Barbara County wines have gained in reputation and recognition, but the sales and visitation do not match the exceptional quality of the product. It is time to change that dynamic.”

“There is a misconception that older fundraising techniques like wine festivals and auctions will fund a wine marketing organization. Unfortunately, in the last decade we have seen a major shift in fundraising opportunities. Wine festivals and events no longer bring in the crowds they used to due to the saturation of events throughout California. Auctions have traditionally been used as fundraising for charitable arms of wine associations but they, too, have increased over the years and are not reliable for providing significant revenue,” says Laslett. “Since I joined the Vintners [Association] in 2017, we have hosted a profitable Vintners Festival for the first time in several years. We also won a California Department of Food & Agriculture grant for the first time, providing hundreds of thousands of marketing dollars to fund a campaign targeting Los Angeles. As beneficial as these funding increases have been, our Board of Directors wanted to look at longer-term sources of revenue. The goal is to create a budget that will allow us to reach our ambitions and compete with better-known marketing regions.”

The Santa Barbara Vintners has considered other sustainable revenue streams besides the BID. “A grape commission is something we are still considering but it takes much longer to create and is a separate government entity,” says board member Nicholas Miller of The Thornhill Companies, a fifth-generation farming company and a significant grape producer. He adds that “a Grape Commission has a lot more limitations than the BID process does. For a Grape Commission, the funds could only be used for two defined purposes: R&D (research and development) and marketing. Starting with the BID process is a more efficient way to begin.” Miller explains that the discussions for creating a Grape Commission will continue but notes it also involves San Luis Obispo and Ventura counties in order to be formed.

When asked how Santa Barbara County wineries have received the idea of creating a BID, Laslett replies: “The feedback from our wineries has been increasingly positive. We would not

proceed with creating the BID if most of the wineries were not truly behind the Preserve. It wouldn't be in our best interest without majority support.”

As part of the research process, Laslett, the Board of Directors, and Philip Carpenter, the Director of Membership, spent two years soliciting input and feedback from Santa Barbara County wineries. “First we started with the idea,” explains the association’s CEO. “We had to make sure the County would support it as well as the industry, of course. We continued throughout the process with phone calls, emails, group meetings, in-person conversations, and straw polls via online surveys. We compiled all of this information and kept track of each winery’s response. If we didn’t hear back from a winery, we took the conservative approach and assumed they were not in favor of the Wine Preserve.” Even with the conservative approach, Laslett found that almost 60% of the wineries wanted the Wine Preserve to happen.

Becky Barieau, co-owner of Foxen Winery, supports the Preserve: “The prospect of a well-funded marketing effort benefitting all Santa Barbara wine industry businesses is exciting and long overdue. This is just the boost our company and our wine community needs to recover from the challenges of 2020 and grow into a prosperous future.”

One question Laslett receives often is about why the wineries have weighted votes when deciding on whether or not to pursue the Wine Preserve. Each winery is weighted by their contribution to the total DTC revenue, which some vintners find unfair. She explains: “Legally this is a requirement for all BIDs, this is not something we created. We looked into having our petition based on one-winery-one-vote, but in order for the petition to be valid, it would be measured against the lawful weighted vote. I understand that can feel unfair, but the truth is, the larger wineries will be making a greater contribution to the district, so it makes sense that to create it, they would have a vote that corresponds to their contribution.”

Since around 80% of the funding is provided by around 80 wineries, those wineries have a larger say in whether or not the Preserve is formed. However, once the Preserve is formed,

every winery has equal say in how the money is used. They will be able to participate in planning and promotions if they want to via voting, Board of Director seats, and committees.

While the customer is the one paying the assessment fee, in this case only 1% of their total bill, the money is collected from the business or winery by a third-party and submitted to the Wine Preserve. Once over 50% of the represented revenue is reached, the district may move forward with formation. Current estimates of the funding generated by the new fee are based on past sales using sales tax records. All Santa Barbara County wineries and vineyards with Direct-To-Consumer sales will pay into the assessment. They will be members of the new organization funded by the Wine Preserve, and no assessed member will pay membership dues.

If the Wine Preserve petition is successful, the Santa Barbara County organization will be the first of its kind. There are several wine regions seeking to create a Wine BID, but none have been formed yet. Local tourism BIDs include Visit Santa Barbara, Visit Santa Ynez Valley, Explore Lompoc and Discover Santa Maria Valley. All of these regions charge a small fee on hotel stays to fund a majority of their marketing efforts.

One of the largest criticisms of the Wine Preserve has been the argument that customers will not want to pay the wine assessment fee and either purchase less wine or refrain from returning to the Santa Barbara County wine region. Laslett understands the concern but is fully confident this will never be the case based on historical data from other BIDs. "Historically, BIDs see an increase in visitation and sales within their industry each year. Specifically, our local Tourism BIDs in Santa Barbara County have seen increases in yearly visitation, overnight stays, and marketing since implementing the BID."

Laslett says another misconception she has heard is that the Wine Preserve will be marketing wholesale wines even though only direct-to-consumer (DTC) sales are funding the Preserve.

“It’s an understandable confusion, since we have an event specifically for the trade. But no Wine Preserve funds may legally be spent on marketing Santa Barbara County wines to wholesalers since the assessment is paid for through DTC sales. A successful marketing program will result in a halo effect that benefits all aspects of the wine industry, such as an increased demand for wine grapes and wine. Any events marketing to wholesalers will be funded from other revenue sources, including non-winery memberships and non-Wine Preserve, self-sustaining events. We will find ways that everyone may contribute to our promotional efforts. For instance, we will continue to have a grower membership since the Wine Preserve precludes them from participating in the BID, as well as business and hospitality memberships. We will also investigate the formation of a Grape Commission.”

In August, the Santa Barbara County Board of Supervisors received a presentation from the Santa Barbara Vintners about the Wine Preserve. Based on feedback from the Supervisors, the association returned to its original BID assessment of a 1% fee on all DTC sales rather than 1.5% of all tasting room sales, which would be difficult to audit and would rely on self-reporting from the wineries. The last poll of wineries showed nearly a perfect split between wineries who wanted the fee to be on all DTC sales versus only on tasting room sales.

The association raised dedicated sponsorship funding to work with Civitas, a group of advisors that guides nonprofits through the creation of Business Improvement Districts. Civitas will finalize the Management District Plan with the County this month, allowing the petition drive to begin. The petition drive and additional winery education will occur throughout October. The Santa Barbara County Board of Supervisors as well as all City Councils in the county, with the exception of Guadalupe that does not have any wineries, will vote in November on their participation in the BID.

“While our timeline is always subject to change, our goal is to implement the Wine Preserve in the first quarter of 2021. We will probably see that funding by the third quarter. Funding will be delivered to the Wine Preserve every quarter from then on.” The CEO of the Santa Barbara

Vintners speaks hopefully of the prospect of sustainable funding: "The Santa Barbara wine country is uniquely positioned to become one of California's premier wine destinations. We have made tremendous strides in finding funding for our region and the Wine Preserve guarantees success for years to come."

For more information about the Santa Barbara County Wine Preserve, visit www.sbcountywines.com, click on "Connect" in the menu and then "Wine Preserve".

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About the Santa Barbara Vintners:

Santa Barbara Vintners (Santa Barbara County Vintners Association) is a non-profit 501(c)6 organization founded in 1983 to support and promote Santa Barbara County as a world-class, authentic wine producing and wine grape growing region. The Association includes winery members whose annual production is at least 75% Santa Barbara County (or sub-AVA) labeled, winery associates, vineyards, vineyard management companies, hospitality, and industry associate members. The Association produces festivals and wine country weekends; educational seminars and tastings; provides information to consumers, trade, and media; and advocates for the Santa Barbara County wine and grape industry.

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