

Southern Oregon
University Market
Research Institute

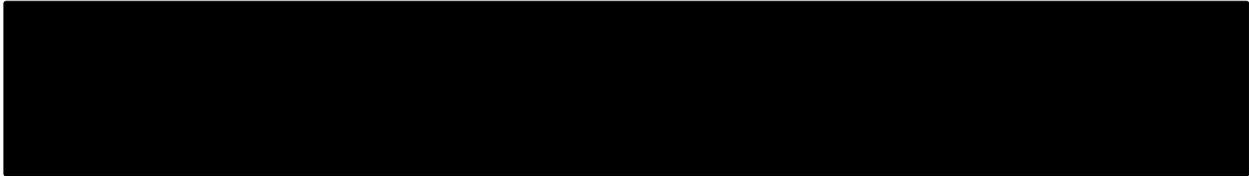
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RESEARCH AGENDA



To support these goals, this report provides market analysis of the local region, including community profiles, demographic and housing data, consumer spending estimates, and traffic count data. Also included are financial data for wine stores in Oregon and in Medford, and a list of competitor businesses in Jackson County.

LIMITATIONS OF RESEARCH

The MRI uses licensed commercial databases for research purposes. All data in this report is secondary research based on the information available through the resources listed in the References section.

- ESRI's estimates of consumer spending, consumption, and internet use may be based on US-wide data and modelled for the local area using community profiles. The best information about local consumer habits will come from learning about the local population directly.
- All of the market analysis except traffic counts (demographic data, community profiles, consumer spending and habits, and internet use) are based on data for residents of the region. It does not include any information about tourists to the area. Therefore, total consumer spending within the region is likely higher due to tourism.
- The ReferenceUSA data used to develop the competitor list is filtered by NAICS industry codes. Occasionally businesses report the wrong NAICS code. As a result, some businesses may be included that are not appropriate, while other appropriate businesses may be missing.

Information is provided where possible, on a best-effort basis, and within the resources available to the MRI.

RESEARCH SUMMARY

Financial Report for Wine Stores in Oregon

- Based on data from annual samples from 2015 to 2017 of wine stores in Oregon with annual sales between \$500,000 and \$999,999: (p. 4)
 - Discretionary Owner Earnings are 9.6% of total revenue. Officers' compensation is 4.1% of revenue and after tax net profit is 4.8%.
 - The major expense is non-labor cost of sales (73.7% of total revenue).
- Based on data from wine stores in the Medford area from 2015 to June 2018: (p. 5)
 - BizMiner reports 13 wine stores in the area in June 2018, with median sales of \$660,000 projected for 2018. This group does not include tasting rooms associated with wineries.
 - 12 of the 13 wine stores are small businesses with less than 25 employees. Based on these 12 businesses, the average business has 4 employees with an average annual wage of \$20,907.

Market Analysis

Note: The following data are estimates, rather than exact, known values.

Demographic and Community Profile Data

- 47,354 people live within a 10 minute drive time of the business. Of this group, 9,619 people live within five minutes and 37,735 live between 5 and 10 minutes away. Roughly 3 in 10 live alone, and about one quarter have children in the household. (p. 7)
- The area within 5 minutes of the business has a relatively mature population: 48.3% are 55 years or older (4,645 people). In contrast, the area between 5 and 10 minutes away has a more evenly distributed population, with only 36.4% 55 years or older (16,530 people). (p. 7)
- Households within 5 minutes of the business tend to have higher incomes. The average household income is \$97,640 and 48.2% of households earn \$75,000 or more (1,928 households). By contrast, households between 5 and 10 minutes from the business have an average household income of \$68,241 and 32.9% of households earn \$75,000 or more (6,116 households). (p. 9)
- Within 10 minutes of the business, we identify four key community profiles: (pp. 12 – 14)
 - Savvy Suburbanites: 1,586 households
 - Exurbanites: 620 households
 - Comfortable Empty Nesters: 2,584 households
 - In Style: 765 households
- While each of these community profiles has some different characteristics (p. 14), they are all older communities approaching retirement, and relatively wealthy. With the exception of Comfortable Empty Nesters, ESRI describes these groups as being well-connected technology users who prefer natural or organic products.

Consumer Spending and Habits

- During 2018, residents living within 10 minutes of the business will spend \$3,077,594 on wine consumed at home and \$1,039,323 on wine consumed away from home. (p. 15)
- Within 5 minutes of the business, 31.6% of the adult population (2,495 people) drank domestic dinner or table wine in the last 6 months, compared with 27.4% of the adult population (9,935 people) between 5 and 10 minutes of the business. (p. 15)

Internet Use

- Within 5 minutes of the business, 85% of adults (6,695 people) have access to the internet at home, compared to 88% of adults (31,860 people) between 5 and 10 minutes.
- Facebook is the most used social media site. Within a 30-day period, approximately 60% of adults (26,579 people) within 10 minutes of the business will use Facebook. (p. 18)

Traffic Counts

- Estimates suggest that more traffic will pass the business traveling southbound on -----
-- from ----- than traveling northbound on ----- . (p. 19)

See the Competitor List section for details about the accompanying competitor list. (p. 17)

FINANCIAL REPORT: WINE STORES IN OREGON

Source: BizMiner, 2018.

FINANCIAL PROFILE FOR OREGON WINE STORES

The following data are based on annual samples Oregon wine stores with annual sales between \$500,000 and \$999,999 from 2015 to 2017. The sample sizes varied from 26 to 30 businesses.

For wine stores in this sales range, the average total annual revenue was \$840,546 – 98% of which is business revenue. The main expense for these businesses is non-labor cost of sales at 74% of total revenue. After tax net profit was 4.8% of total revenue, not including officers compensation of 4.1%. According to BizMiner, Discretionary Owner Earnings were 9.6% of total revenue, while Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) were 4.4%.

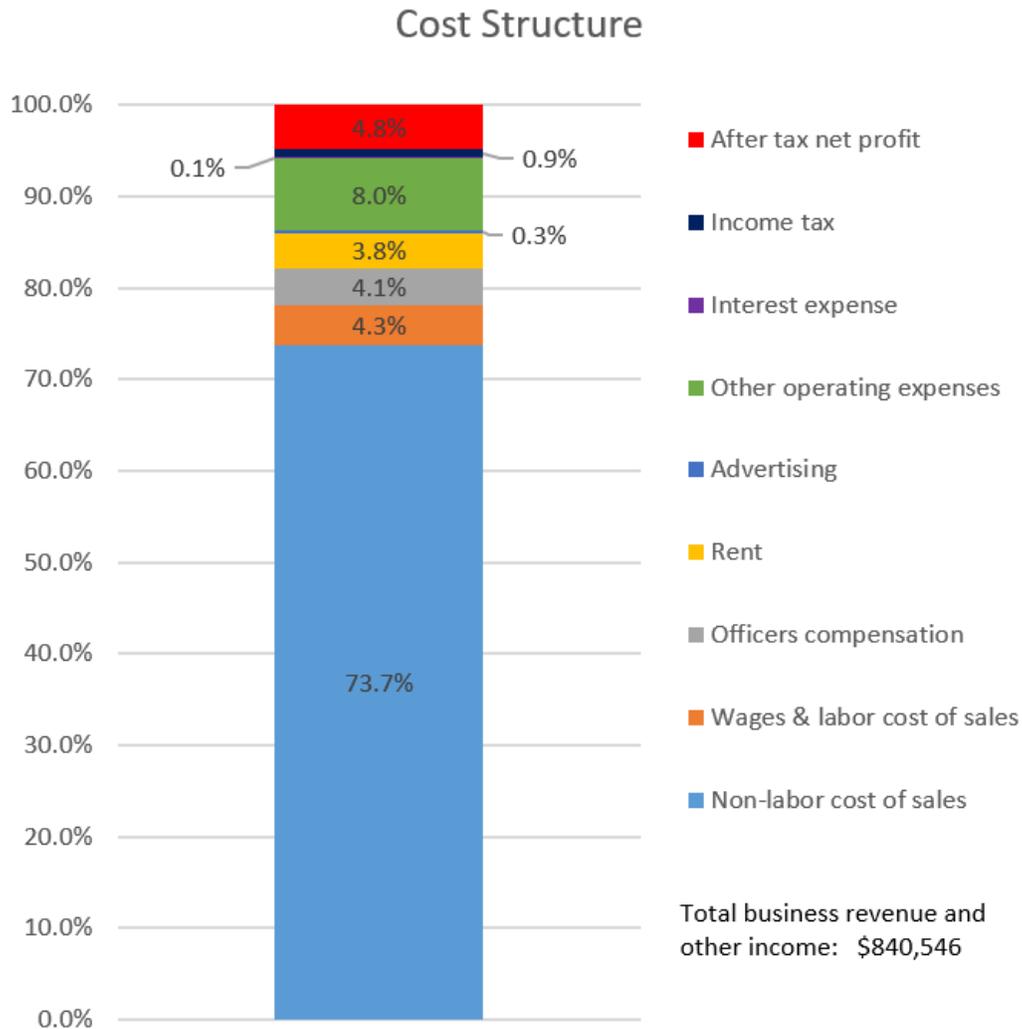


FIGURE 1. COST STRUCTURE BENCHMARKS BASED ON A SAMPLE OF OREGON WINE STORES WITH ANNUAL SALES BETWEEN \$500,000 AND \$999,999 FROM 2015 TO 2017. (BIZMINER, 2018)

In addition to cost structure data, BizMiner provides balance sheet information for the sampled businesses, as shown in the following table:

Assets	
Cash	16.5%
Receivables	0.3%
Inventory	45.0%
Other Current Assets	0.0%
Total Current Assets	61.5%
Gross Fixed Assets	83.9%
Accumulated Deprec-Amort-Depl	60.7%
Net Fixed Assets	23.2%
Other Non-Current Assets	15.2%
Total Assets	100.0%
Liabilities	
Accounts Payable	10.6%
Loans/Notes Payable	1.0%
Other Current Liabilities	3.9%
Total Current Liabilities	15.5%
Total Long Term Liabilities	44.6%
Total Liabilities	60.1%
Net Worth	39.9%
Total Liabilities & Net Worth	100.0%

FIGURE 2. AVERAGE BALANCE SHEET PROPORTIONS FOR A SAMPLE OF OREGON WINE STORES WITH ANNUAL SALES BETWEEN \$500,000 AND \$999,999 FROM 2015 TO 2017. (BIZMINER, 2018)

MARKET REPORT FOR MEDFORD AREA WINE STORES

Based on BizMiner's industry market report, and supported by the competitor list developed by ReferenceUSA, the number of wine stores has increased significantly in the last few years. BizMiner's definition of wine store appears to be more selective and does not include any tasting rooms associated with wineries: they report 8 businesses in 2015 increasing to 11 in 2017 and then to 13 businesses in June 2018. Of these businesses, one is not a small business by BizMiner's definition (less than 25 employees).

Based on this selection of businesses, the median annual site sales (reflecting typical, or middle-of-the-road sales) has increased from about \$600,000 in 2015 to a projected \$660,000 for 2018, while average annual small business site sales have increased much more dramatically, nearly doubling sales from about \$450,000 in 2015 to \$830,000 projected for 2018. This difference in growth between median and average sales suggests that at least one small business has much higher sales than is typical for most of the small businesses in the area.

As of June 2018, the average small business wine store in the Medford area has 4 employees, and the average employee wage is \$20,907. In the area, the average rent per employee is \$6,030 (i.e. rent of about \$24,000).

BizMiner tracks cessation rates in terms of the number of businesses that were closed or bought out. During the period from 2014 to 2015, BizMiner does not record any wine stores in the Medford area ceasing to operate – a somewhat unusual 0% cessation rate.

MARKET ANALYSIS

Source: ESRI, 2018

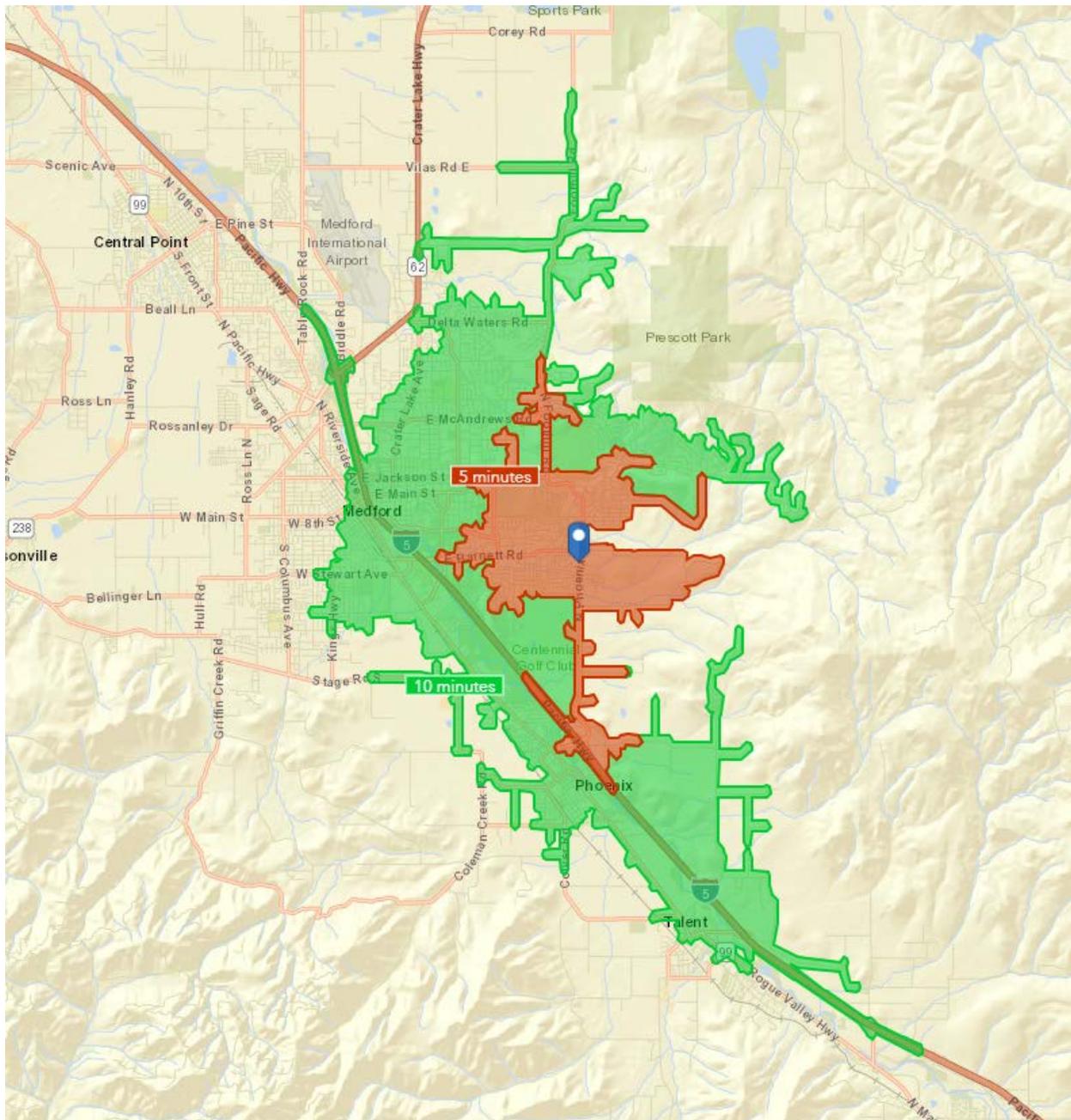


FIGURE 3. REGIONS USED FOR EAST MEDFORD MARKET ANALYSIS: THE RED AND GREEN AREAS DESCRIBE LOCATIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME, RESPECTIVELY, FROM -----.

DEMOGRAPHIC DATA

Data in this section are ESRI's estimates for 2018 based on census data from 2010 and American Community Survey data from 2012 to 2016.

Population

ESRI estimates that there are 9,619 people that live within a 5-minute drive time of the business location,----- – the red area on the map, above. Most of this population is in a small geographic region around the business location, but it also includes some residences in northeast Phoenix and some residences to the north around N Foothill Rd in Medford. There are 3,999 households in the area: 30.4% live alone and 23.4% live in households with children.

There are approximately 37,735 people that live within a 5- to 10-minute drive time of the business location – the green area on the map, above. This area includes much of East Medford, but also extends along a band around I-5 as far south as Talent. There are 18,591 households in the area: 30.2% live alone and 28.4% live in households with children.

Age

The red area within 5 minutes of the business location has a relatively mature population: 48.3% are 55 years or older. In contract, the green area between 5 and 10 minutes from the business location has a more evenly distributed population, with 36.4% 55 years or older. Since the regions are different sizes, it's also useful to consider number of people, as shown in the table below. For example, even though a higher proportion of people living within 5 minutes are 55 or older, there are only 4,645 people age 55 years or older within 5 minutes of the business location, compared to 16,530 people age 55 years or older between 5 and 10 minutes of the business.

Age	0 – 5 minute drive time	5 – 10 minute drive time
0 to 14	1,433	7,584
15 to 34	1,741	11,035
34 to 54	1,799	10,309
55 to 74	2,760	11,535
75+	1,885	4,995

TABLE 1. POPULATION BY AGE FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM ----- . NUMBERS DO NOT TALLY EXACTLY WITH POPULATION TOTALS DUE TO ROUNDING ERROR.

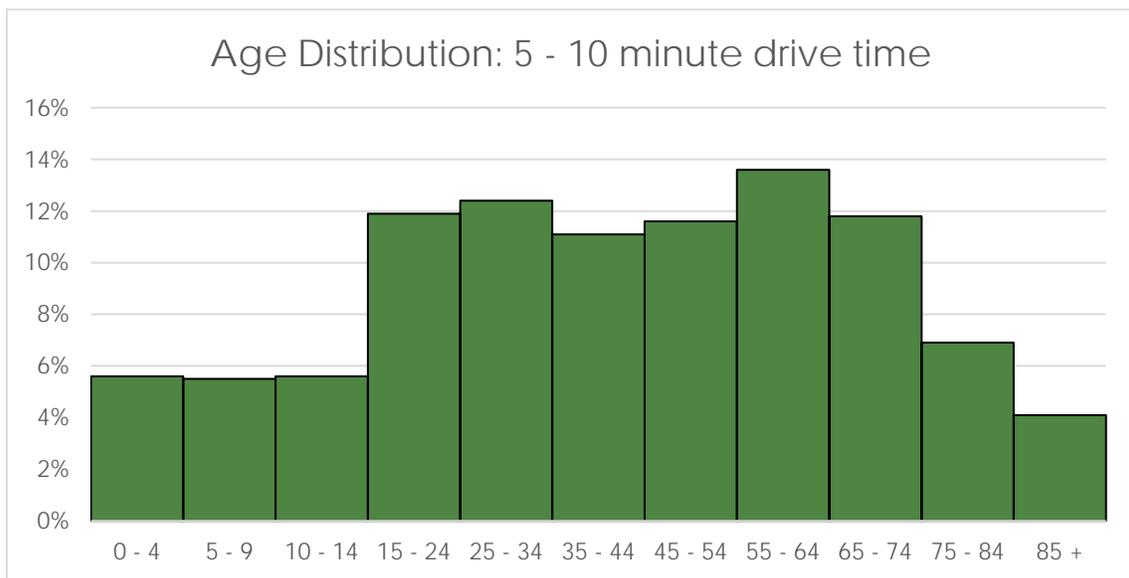
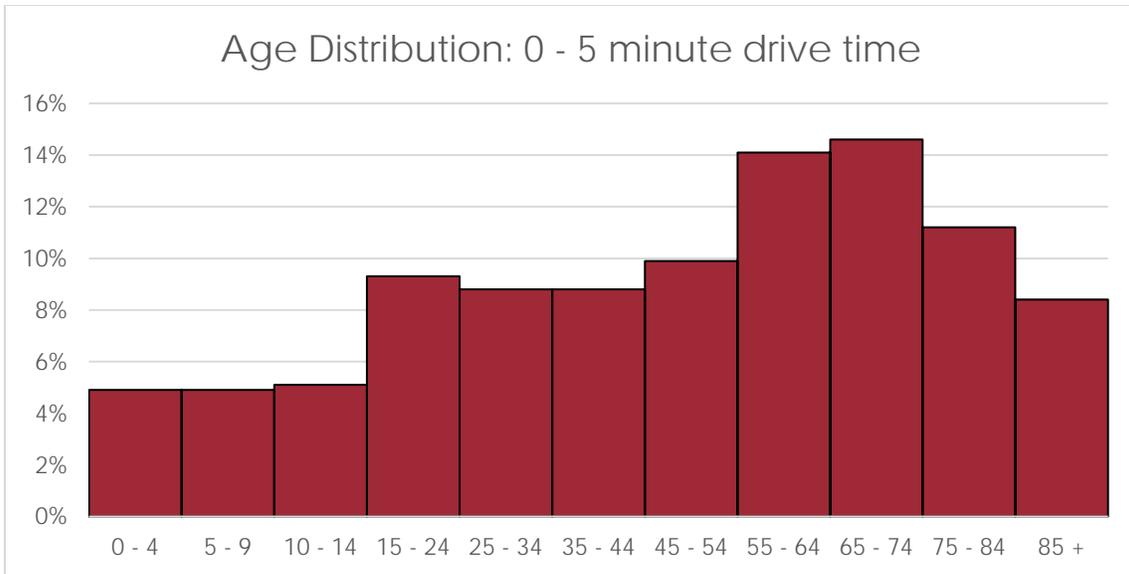


FIGURE 4. AGE DISTRIBUTION FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM -----.

Income

Households in the red area within 5 minutes of the business location tends to have a higher income. The average household income is \$97,640 and 48.2% of households earn \$75,000 or more. By contrast, households in the green area between 5 and 10 minutes from the business location have an average household income of \$68,241 and 32.9% of households earn \$75,000 or more.

In terms of numbers of households, there are 1,928 households within 5 minutes of the business location with a household income of \$75,000 or higher, compared to 6,116 households between 5 and 10 minutes of the business location.



FIGURE 5. INCOME DISTRIBUTION FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM -----.

Education

People within a 5 minute drive time of the business location tend to have higher educational attainment: 38.7% have a Bachelor's, Graduate, or Professional Degree, compared with 29.6% of people between 5 and 10 minutes of the business location. At the other end of the spectrum, 23.6% of people within 5 minutes have at most a high school degree or equivalent, compared to 35.2% of the population between 5 and 10 minutes.

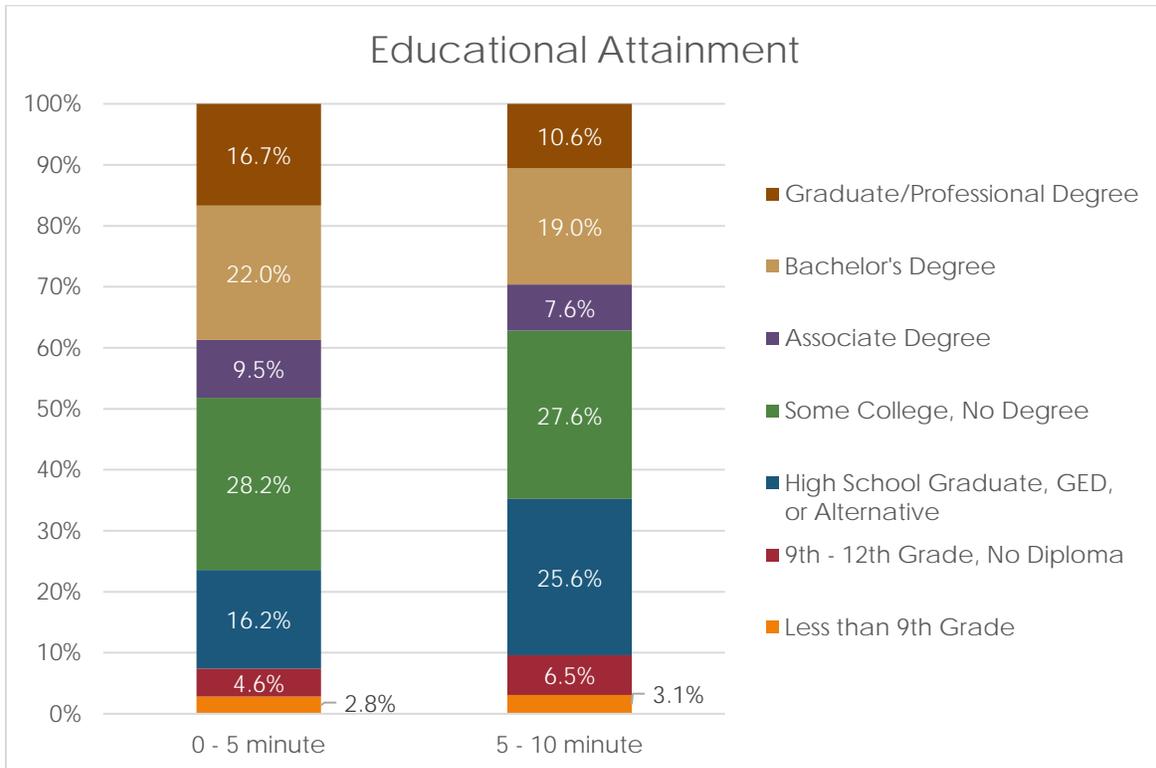


FIGURE 6. EDUCATIONAL ATTAINMENT FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM -----.

Housing

Home values are based on residents' estimates of their home value.

Within a 5 minute drive time of the business location, 61.9% of households own their home, compared to 57.6% of households between 5 and 10 minutes of the business location. There are 2,446 owner occupied housing units within 5 minutes, and 10,581 owner occupied housing units between 5 and 10 minutes of the business location.

The residential areas around the business are relatively high value: Most homes (79.6%) within 5 minutes of the business location are estimated to have a home value of \$300,000+, compared with only 45.0% of homes between 5 and 10 minutes of the business location.

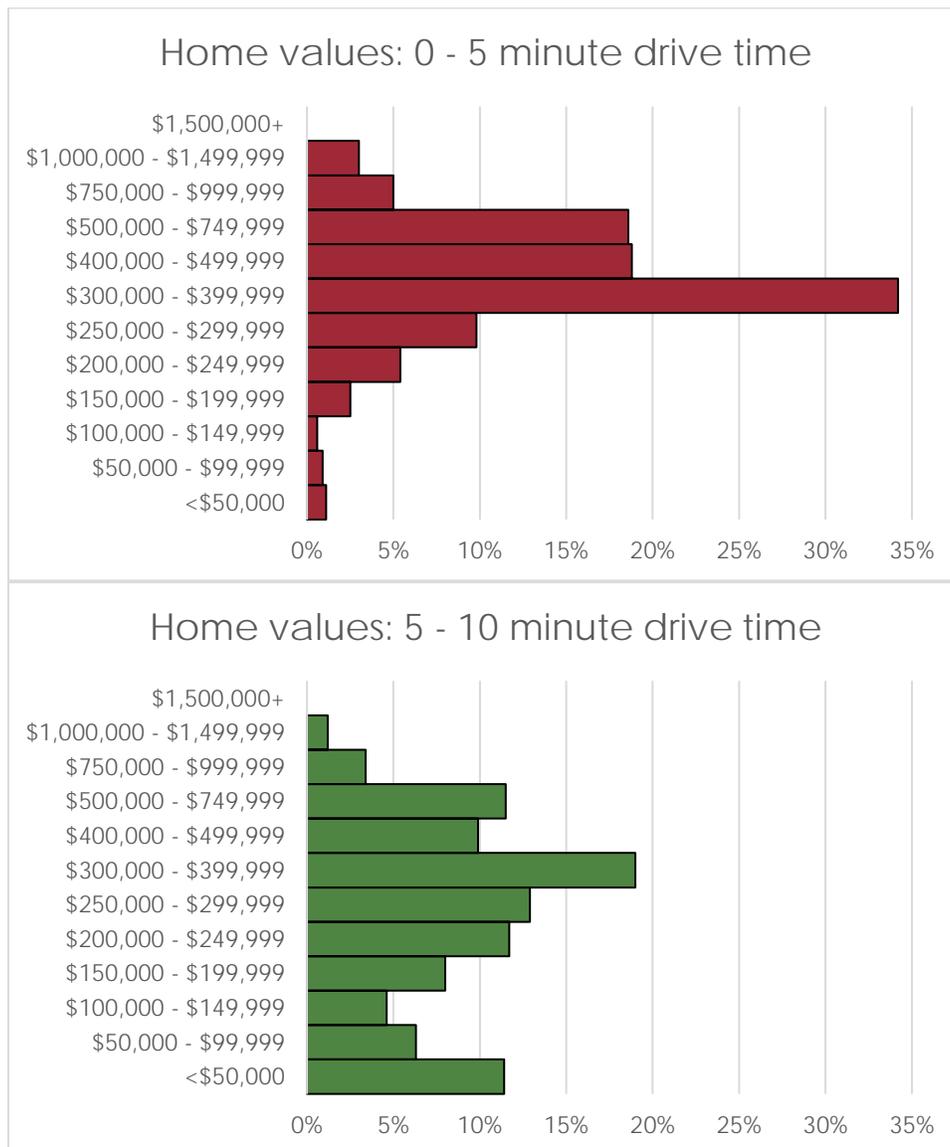


FIGURE 7. HOME VALUES FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM -----

COMMUNITY PROFILES – TAPESTRY SEGMENTATION

ESRI categorizes households into one of 67 community profiles, called tapestry segments, based on demographic and socioeconomic factors. Tapestry segments are grouped into 11 LifeModes, or broad categories, from the most wealthy, to rural lifestyles, to senior living. These profiles help provide a more holistic picture of neighborhoods.

HOUSEHOLDS WITHIN 5 MINUTES OF THE BUSINESS LOCATION

The region is dominated by a mix of affluent and senior households. The following table provides a breakdown by tapestry segment. The best segments for wine purchases are Exurbanites (1E), Savvy Suburbanites (1D), and In Style (5B) – 1,204 households in the area.

Tapestry Segment	Number of households	Percent of households
Retirement Communities (9E)	1,480	37.0%
Midlife Constants (5E)	916	22.9%
Exurbanites (1E)	620	15.5%
Savvy Suburbanites (1D)	488	12.2%
The Elders (9C)	284	7.1%
The Great Outdoors (6C)	112	2.8%
In Style (5B)	96	2.4%
Small Town Simplicity (12C)	12	0.3%

TABLE 2. TAPESTRY SEGMENTS WITHIN 5 MINUTES OF-----.

HOUSEHOLDS BETWEEN 5 AND 10 MINUTES FROM THE BUSINESS LOCATION

This region has a wider mix of community profiles. The following table provides a breakdown by tapestry segment. The best segment for wine purchases that has a large presence in this area is Comfortable Empty Nesters (5A) – 2,584 households in the area.

Tapestry Segment	Number of households	Percent of households
Comfortable Empty Nesters (5A)	2,584	13.9%
Small Town Simplicity (12C)	2,324	12.5%
Old and Newcomers (8F)	2,194	11.8%
Parks and Rec (5C)	1,469	7.9%
Front Porches (8E)	1,432	7.7%
Midlife Constants (5E)	1,246	6.7%
Social Security Set (9F)	1,246	6.7%
The Elders (9C)	1,115	6.0%
Savvy Suburbanites (1D)	1,097	5.9%
Set to Impress (11D)	967	5.2%
Bright Young Professionals (8C)	874	4.7%
In Style (5B)	669	3.6%
Rustbelt Traditions (5D)	614	3.3%
Retirement Communities (9E)	390	2.1%

The Great Outdoors (6C)	205	1.1%
Seniors Escapes (9D)	186	1.0%

TABLE 3. TAPESTRY SEGMENTS WITH A 5 TO 10 MINUTE DRIVE TIME FROM -----.

The map below shows the most common tapestry segment by neighborhood, providing a description of the geographic locations of the various tapestries/community profiles. The area around the business is dominated by seniors housing (tapestry segments 9C and 9E), but the regions to the north and east have a proportion of very wealthy homes (1D and 1E).

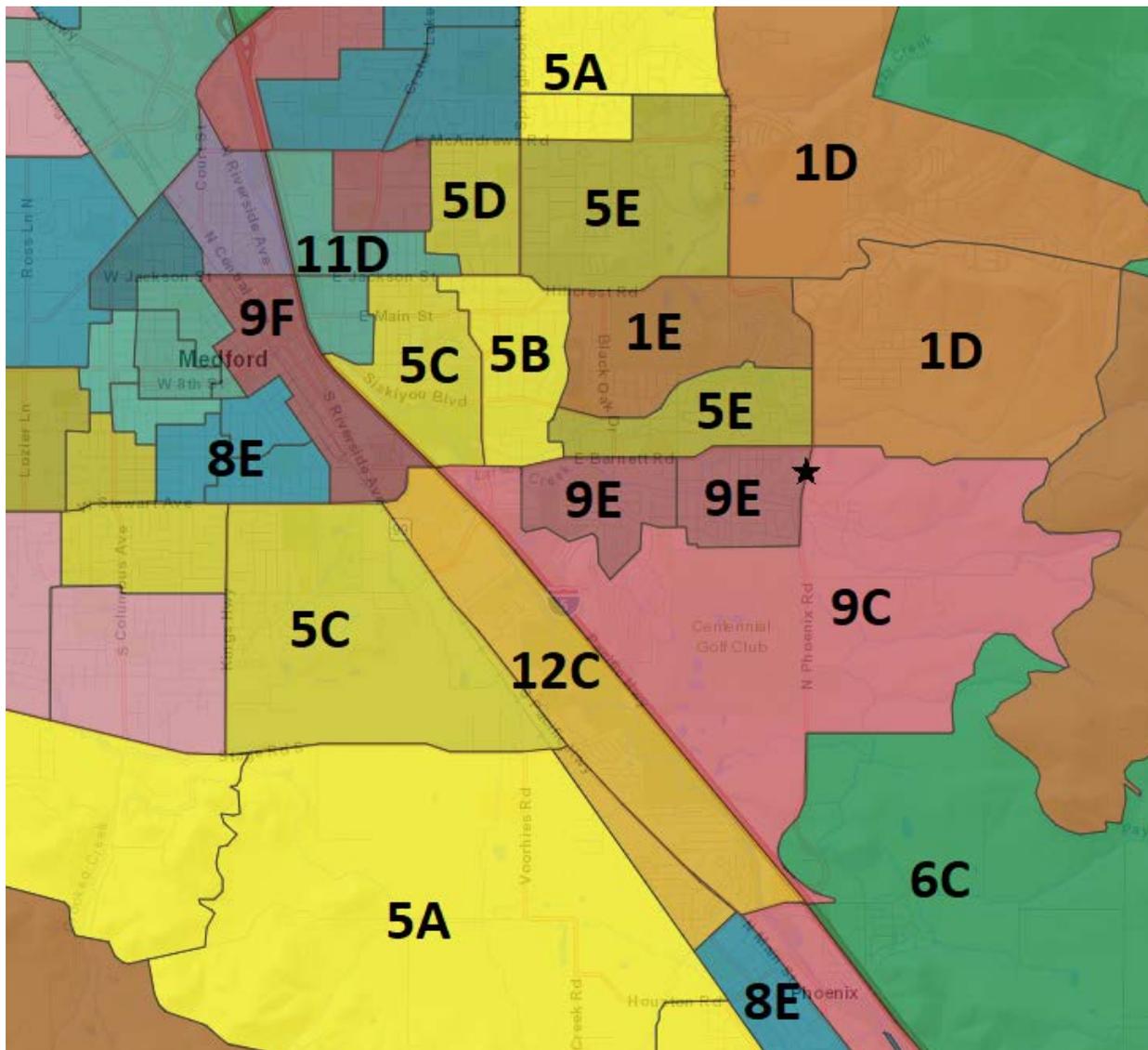


FIGURE 8. DOMINANT TAPESTRY SEGMENTS BY NEIGHBORHOOD. THE BLACK STAR INDICATES -----.

KEY TAPESTRY SEGMENTS

More detailed descriptions of key segments can be found in the accompanying file, “-----”
-----”. For more information, see <https://doc.arcgis.com/en/esri-demographics/data/tapestry-segmentation.htm>.

Savvy Suburbanites (1D) – Median Household Income \$108,700

0-5 minutes: 488 households; 5-10 minutes: 1,097 households

- Well educated, wealthy empty nesters or with adult children at home.
- Located in older neighborhoods outside the urban core, their suburban lifestyle includes home remodeling and gardening, the active pursuit of sports and exercise, and the amenities of the city’s cultural events.
- Enjoy good food and wine. They like to cook and prefer natural or organic products.
- Well-connected consumers that appreciate technology and make liberal use of it for everything from shopping and banking to staying current and communicating.

Exurbanites (1E) – Median Household Income \$103,400

0-5 minutes: 620 households

- Older than Savvy Suburbanites, approaching retirement but showing few signs of slowing down. They are active in their communities and seasoned travelers. They take advantage of their proximity to large metropolitan centers to support the arts, but prefer a more expansive home style in less crowded neighborhoods.
- They are active supporters of the arts and public television/radio.
- Attentive to ingredients, they prefer natural or organic products.
- Well connected, using the Internet for everything from shopping to managing finances.

Comfortable Empty Nesters (5A) – Median Household Income \$75,000

5-10 minutes: 2,584 households

- Nearly half of householders are 55+; many still live in the suburbs where they grew up.
- Most are professionals working in government, health care, or manufacturing. These Baby Boomers are earning a comfortable living and benefitting from years of prudent investing and saving.
- Physically active, they play golf, ski, ride bicycles, and work out regularly.
- Prefer eating at home instead of dining out.

In Style (5B) – Median Household Income \$73,000

0-5 minutes: 96 households, 5-10 minutes: 669 households

- Professional couples or single households without children, they have the time to focus on their homes and their interests. Younger than Comfortable Empty Nesters but already planning for their retirement.
- Connected and knowledgeable, they carry smartphones and use many of the features.
- Prefer organic foods, including growing their own vegetables.
- Generous to charities and causes; actively support the arts, theater, concerts, and museums

CONSUMER SPENDING AND HABITS

Data on wine consumption habits is based on US-wide data modelled for the local area using community profiles. The best information about local consumer habits will come from learning about the local population directly. Data for tourists, including tourism revenue, is not included.

CONSUMER SPENDING ON WINE

ESRI estimates that, during 2018, residents living within 10 minutes of the business location (both red and green areas combined) will spend \$3,077,594 annually on wine consumed at home and \$1,039,323 on wine consumed away from home. Average household spending is reported in the following table. On average, households within 5 minutes of the business location spend about 50% more than those 5 to 10 minutes from the business location.

Average household spending	0 to 5 minute drive time	5 to 10 minute drive time
Wine at home	\$190	\$125
Wine away from home	\$64	\$42

TABLE 4. HOUSEHOLD SPENDING ON WINE FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM -----.

WINE CONSUMPTION HABITS

ESRI estimates that within 5 minutes of the business location, 31.6% of the adult population drank domestic dinner or table wine in the last 6 months, compared with 27.4% of the adult population between 5 and 10 minutes of the business location. The following table shows number of people and percent of eligible population for several categories of wine and the two regions of interest.

We strongly recommend caution with respect to this data, since the specific realities of the wine region in Southern Oregon could have a significant effect that these estimates would not reflect. For example, according to the website Everyvine, 38.5% of Southern Oregon vineyards are planted with Pinot Noir, so you would expect higher consumption of Pinot Noir in the region.

Drank in last 6 months	0 to 5 minute drive time		5 to 10 minute drive time	
	# people	%	# people	%
Imported dinner or table wine	981	12.4%	3,741	10.3%
Domestic dinner or table wine	2,495	31.6%	9,935	27.4%
Cabernet Sauvignon	753	9.5%	3,121	8.6%
Chardonnay	622	7.9%	2,408	6.7%
Merlot	714	9.1%	2,668	7.4%
Pinot Grigio	620	7.9%	2,344	6.5%
Pinot Noir	479	6.1%	2,007	5.5%
Champagne or sparkling wine	863	10.9%	3,876	10.7%
Port, sherry, or dessert wine	234	3.0%	1,032	2.9%

TABLE 5. WINE CONSUMPTION BY TYPE FOR REGIONS WITH A 0 – 5 AND 5 – 10 MINUTE DRIVE TIME FROM -----.

INTERNET USE

ESRI provides estimates of internet use; these are estimates and not census data. Percentages are based on the adult population rather than the total population.

Within 5 minutes of the business location, 85% of adults (6,695 people) have access to the internet at home. Between 5 and 10 minutes from the business location, 88% of adults (31,860 people) have access to the internet at home. Computers and cell phones are both common ways to access the internet (for both devices, 65 – 70% of adults used one to access the internet in the last 30 days). Tablets are less common: about 35% of adults used one to access the internet in the last 30 days.

Use of social media sites is similar in the two areas (with slightly lower use rates in the 0 – 5 minute region); we report estimates for the combined region within 10 minutes of the business location. Facebook is the most common social media site. Within a 30-day period, approximately 60% of adults (26,579 people) in the area will use Facebook. YouTube is the second most popular, with approximately 48% of adults (21,272 people) using YouTube within a 30-day period.

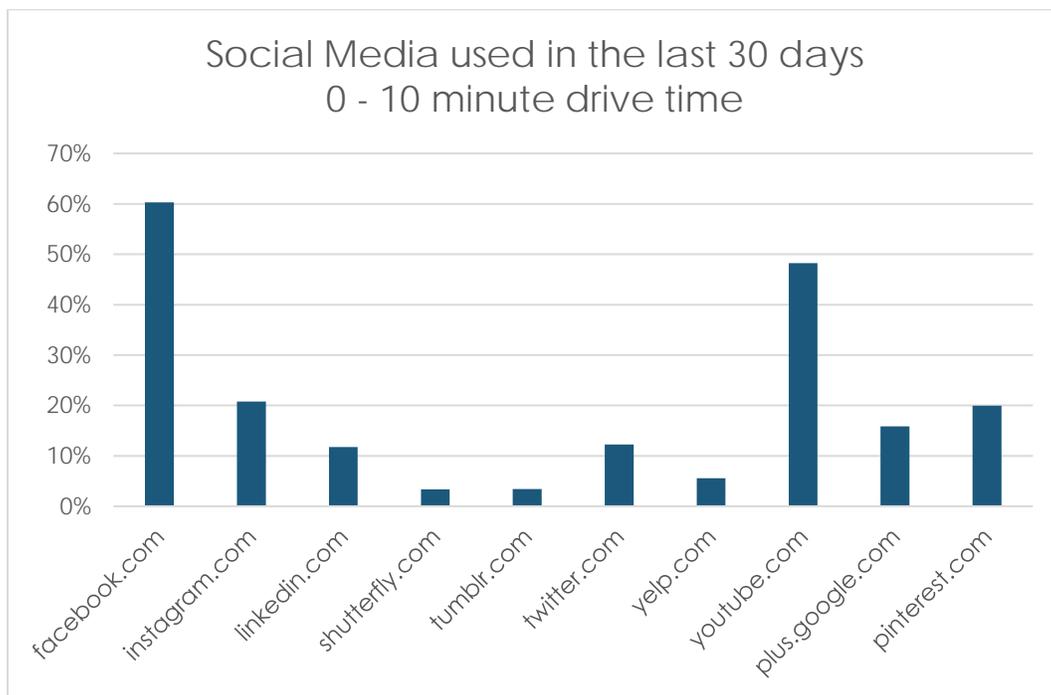


FIGURE 9. ESTIMATES OF SOCIAL MEDIA USED IN THE LAST 30 DAYS WITHIN A 10 MINUTE DRIVE TIME FROM -----.

ESRI estimates that, in a 30 day period, about 38 – 40% of adults in the area will like something, 18 – 21% will follow something, and 14% will click on an ad.

TRAFFIC COUNTS

The following map estimates average daily traffic volume on the major roads around the business location. The documentation for this data suggests that the counts represent total number of vehicles crossing that point (from both directions). The map shows that traffic on ----- tends to be significantly heavier around the business location (just south of -----) than it is south of Creek View Drive. This suggests that more traffic will pass the business traveling southbound on ----- from ----- than traveling northbound on -----.

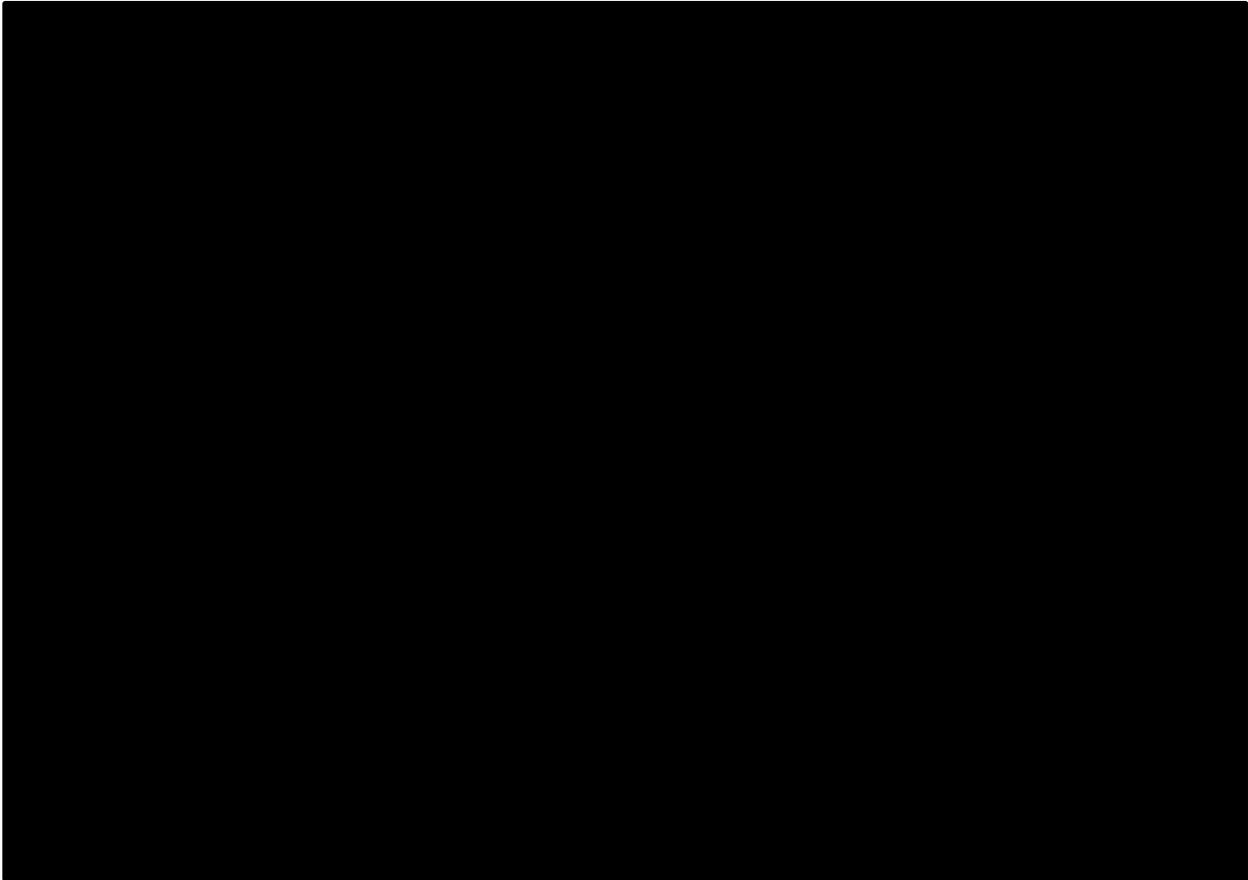


FIGURE 10. TRAFFIC COUNTS AROUND ----- (KALIBRATE TECHNOLOGIES Q2 2018)

COMPETITOR LIST

Source: ReferenceUSA

The competitor list was developed using ReferenceUSA. ReferenceUSA records businesses as either verified or unverified, based on whether the business has been contacted to verify their information. Since a number of relevant businesses are unverified, we include both verified and unverified businesses (see the Record Type column in the spreadsheet). The competitor list was filtered using NAICS and SIC code, and depend on businesses reporting the correct

industry codes. Therefore, some relevant businesses may be missing, and some irrelevant businesses may be included.

The competitor list accompanies this report in an Excel file titled “-----”. The file contains two spreadsheets, accessible from the tabs at the bottom of the window.

The first spreadsheet, Jackson County (all), contains all businesses in Jackson County within NAICS codes:

- 312130 Wineries
- 445310 Beer, Wine & Liquor Stores
- 722410 Drinking Places Alcoholic Beverages

The businesses are sorted by NAICS code, then by SIC code, and then by Company Name. Although many bars (NAICS 722410, SIC 581301) may not be relevant, Rogue Grape is an example of a wine store under those industry codes.

We report company name, executive name, address, phone number, website, company description, primary NAICS and SIC codes, location sales volume range, location employee size range, year established, and record type. Company names highlighted in peach were used in the BizMiner market report on wine stores in the Medford metro area.

The second spreadsheet, Medford <5 employees, contains only businesses in Medford with less than 5 employees. It is in the same format described above.

REFERENCES

BizMiner (June 2018). Industry Financial Report for 445310.03 Wine Stores in Oregon, sales class \$500,000 - \$999,999.

BizMiner (June 2018). Industry Market report for 445310.03 Wine Stores in the Medford OR Metro Area.

ESRI (2018). Reports for 0-5 and 5-10 minute drive time bands around -----, including: 2018 Alcoholic Beverages (Consumer Spending), 2018 Beverage Consumption (Alcohol) (Market Potential), Community Profile, 2018 Internet (Market Potential), Traffic Count Map (Close Up).

Everyvine (2018). Wine Region: Southern Oregon. Retrieved 10/2/2018 from http://www.everyvine.com/wine-regions/region/Southern_Oregon/varietyals/.

ReferenceUSA (2018). Business lists for NAICS 312130 Wineries, 445310 Beer Wine and Liquor Stores, and 722410 Drinking Places in Jackson County.