

BC Wine Institute Industry Survey to Assess COVID-19 Impacts

Presented by Leger: August 26, 2020



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PROJECT OVERVIEW

Background and Objectives

Project Understanding

The BCWI represents approximately 150 members that account for about 95% of all the wineries in British Columbia, while the BC Grape Growers Association represents an additional 900 grape growers around the province.

Much like other industries around the world, these businesses have been impacted by the pandemic. As researchers and scientists continue to predict the course of COVID-19, many businesses are starting to face the challenging reality of determining how it will impact their businesses, families and employees, now and in the future.

While we don't know the full extent of the impact that COVID-19 will have, we do know that its effects will be felt long after the travel bans and physical distancing measures are removed and economies gradually reopen. To assist in helping businesses rebuild from this global pandemic, BCWI commissioned Leger to conduct an online survey of businesses to gather data on the impact of the COVID-19 pandemic to the wine industry in BC including job losses, financial losses and business viability. Results from this survey will be used to help inform and rebuild promotional strategies and support programs to be put into place once

the virus has been contained and isolation measures have lifted.

Project Objectives

The primary project objective of the current research was to identify business needs where BCWI can support with programs, training and resources to help businesses rebuild as BC moves toward the recovery process of the pandemic. In addition to this, the current research was designed to:

- Measure and report on financial losses resulting from the COVID crisis
- Assess the extent to which COVID-19 has impacted staffing, operations, supply and demand.
- Understand business needs to develop relevant tools and resources for rebuilding their businesses (i.e. development and promotion support services)
- Assess the effectiveness of provincial and federal relief programs
- Understand the perceived challenges that lie ahead for businesses

Methodology

Methods

The Industry Survey to Assess the COVID-19 Impact was conducted through an online survey between July 30th and August 16th, 2020. Business operators were invited to complete a 15-minute survey assessing the impact of COVID-19 on their business. Contact information was provided by BWCI and BCGGA. Each respondent was provided with an email that had a unique PIN embedded in it to ensure anonymity and confidentiality.

A total of 101 responses were received from across various regions and industries. The regional breakdown is as follows:

- Okanagan Valley (77%)
- Fraser Valley (7%)
- Vancouver Island (5%)
- Similkameen Valley (4%)
- Lillooet (3%)
- Kootenays (2%)
- Shuswap (2%)

Further, the industry breakdown of the final sample is as follows:

- Winery (79%)
- Vineyard (73%)
- Tasting room (50%)
- Grape Grower (39%)
- Restaurant (14%)

- Wine store operator (13%)
- Retail (6%)
- Other (2%)

Statistical Analysis

The majority of the report provides frequencies are provided throughout the report according to the base sample of the question under consideration. Further, all open-ended responses were coded into themes/categories by a senior team of coders to allow for additional analyses to be conducted.

Due to the small sample size and limited variability in regions and business type, we were unable to conduct statistical analyses to compare differences across key demographic questions. As a result, all results are provided at the aggregate.

In addition to this, a MaxDiff analysis was performed to establish a clear understanding of the forms of support that businesses believed would have the greatest impact in helping them rebuild their business following COVID-19.

Margin of Error

The margin of error associated with a sample of 101 (from a population of 943 contacts) is +/- 9.22 19 times out of 20.

KEY INSIGHTS

Key Insights: Impacts of COVID-19

ACTIONS TAKEN AS A RESULT OF COVID-19

Several respondents noted that the COVID-19 pandemic has forced them to alter their operations, with many implementing operational and staffing challenges. Most notably, respondents indicated that they have:

- Reduced services (50%)
- Temporarily closed (46%)
- Reduced staff hours (41%)
- Laid off staff (38%)

However, despite the negative impact of COVID-19, businesses have also adjusted their business to meet the shifting demands of consumers. Specifically, nearly two-thirds of businesses have started offering curb side services/delivery (59%), while one-third have shifted their business to online sales (32%). It will be important for businesses to continue to adapt their operations to continue to meet their operational needs with respect to distancing, health and safety.

FINANCIAL IMPACT OF COVID-19

Results revealed that 3 in 4 businesses are currently generating less revenue when compared to their historic average revenue during this time of year. Further, 35% of businesses do expect their revenue to decline between 21% and 50% over the next 6-months. These results suggest that the businesses have not yet realized the full financial impact of the COVID-19 pandemic.

In light of the financial impact of COVID-19, many businesses have taken measures to mitigate the economic impact of the COVID-19 pandemic. Specifically, businesses have already:

- Altered their service to meet new business demands (81%)
- Moved to no contact pickup/delivery service (64%)
- Received emergency loans/refinancing (55%)

When considering the financial impact of COVID-19, nearly two-thirds of businesses believe that it will take them between 1 and 4 years to recover financially from COVID-19 (60%). This suggests that the current situation will have a long-lasting financial impact on many businesses.

RISK OF CLOSING DUE TO COVID-19

With the challenges currently being faced, 12% of respondents indicated that they are at risk of closing permanently due to COVID-19. Further, 62% of businesses believe that they have the ability to manage their operating expenses for at least seven months with the current travel restrictions in place.



Key Insights: Staffing Challenges

STAFFING CHALLENGES

At the time of the survey, one-third of respondents noted that their greatest operational concern over the next three-months was being unable to source staff for the 2020 harvest/crush (36% concerned), while another one-third have concerns for management of the 2020 harvest/crush (29% concerned). These concerns are supported by the fact that 27% of businesses reported that they have had difficulty staffing their operations as the economy has reopened in recent weeks, while 42% are concerned with their ability to staff their operations. Difficulty finding staff will be especially true for businesses who indicated that they rely more heavily on domestic labour as 60% of businesses who rely on domestic labour have had difficulty bringing back domestic workers.

Key Insights: Rebuilding Following COVID-19

As the economy continues to reopen, the wine industry will also continue to rebuild as it adapts to the various operational changes that will assuredly result from COVID-19. An assessment of which support systems would have the greatest impact in helping businesses rebuild their business revealed three primary forms of support that would have the greatest impact:

- Opening market access (e.g., interprovincial direct-to-customer sales, increased access to government liquor stores, winery off-site retail, etc.)
- Support marketing our industry
- Market research on shifting consumer behaviours

OPENING MARKET ACCESS

Overall, 49% of business noted that the demand for their product has decreased, while 66% of businesses reported decreased sales compared to this time last year. As further evidence in challenges with sales, 62% of businesses indicated

that they have more product on hand this year as compared to average levels of inventory.

These results suggest that businesses are having difficulty attracting customers and moving product since the onset of the COVID-19 pandemic. It will be important to monitor sales in the coming months as the COVID-19 pandemic may have a long-lasting impact on consumer behaviours.

Despite the recent decision by the Ontario government to limit the sale of wine from other provinces, respondents noted that the largest factor in helping them rebuild their business in the coming months was to open market access. Opening market access will have a significant impact on wineries, especially given that 54% of respondents noted that customers have been impacted by COVID-19 and the demand for products is lower than normal.

Key Insights: Rebuilding Following COVID-19

SUPPORT MARKETING

As several businesses have experienced significant financial losses, they may not have the ability to pay for advertising and awareness. Further support of this need was highlighted by the finding that operators are concerned with their ability to pay for marketing and advertising (28% concerned) in the coming months. This presents an opportunity to BCWI and its partners to help supply marketing and communications toolkits to businesses who are in need of these supports. As there is a significant chance that many operators' target audiences will shift as a result of ongoing travel concerns, it is essential that operators be able to adjust their marketing and advertising efforts to reach their "new" audience.

MARKET RESEARCH INSIGHTS

Businesses also expressed the importance of receiving insights through market research. Specifically, business operators indicated that they need help attracting and understanding customers behaviours, travel intentions, safety concerns,

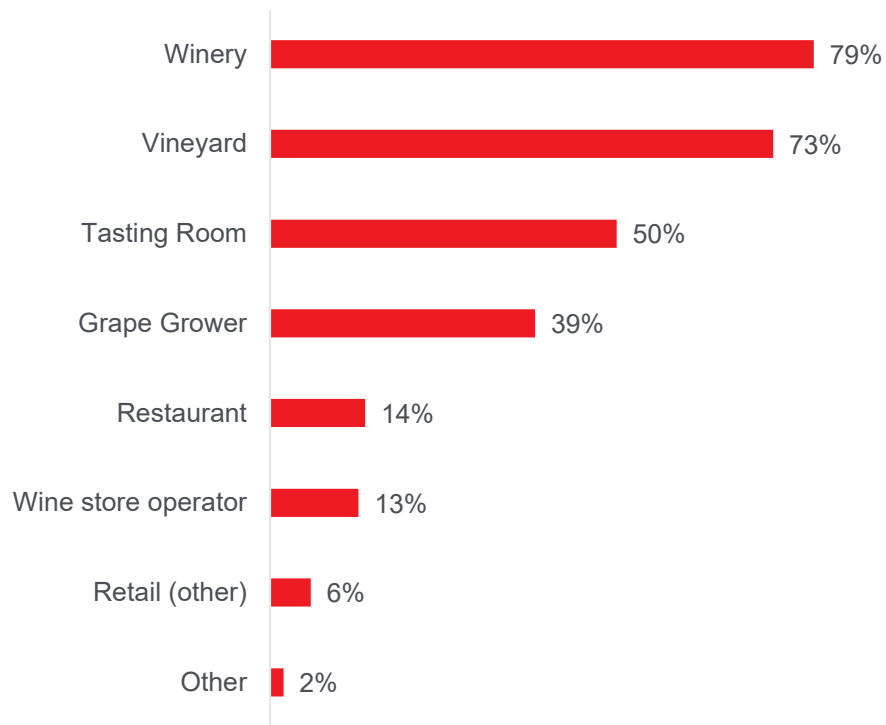
product preferences, expectations, and so on. Research is starting to highlight the behavioural and attitudinal shifts of consumers, but the aftermath of these shifts in relation to how they will impact the wine industry as a whole are not yet known. Operators will need to establish a thorough understanding of the 'new consumer' so that they can adapt their product and service offering to meet their needs and regain confidence. This information can then be used to help businesses engage in product and experience development when they are ready.



The background of the slide is a photograph of a vineyard. Rows of grapevines stretch from the foreground into the distance, creating a strong sense of perspective. The vines are lush and green. In the far distance, a city skyline is visible under a sky with soft, wispy clouds. The overall lighting suggests a late afternoon or early morning setting, with a warm, golden glow.

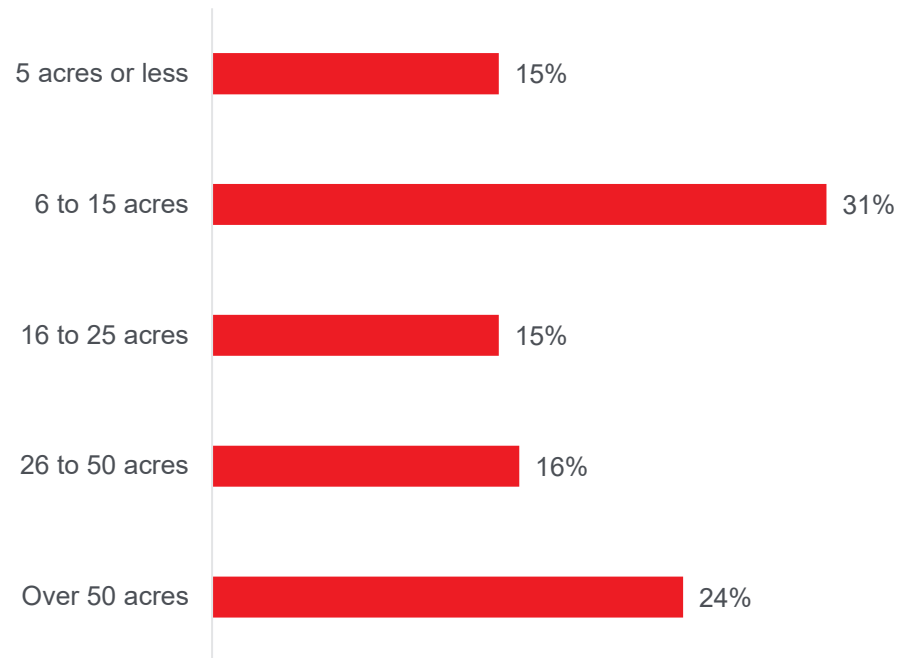
RESPONDENT PROFILE

Business Type



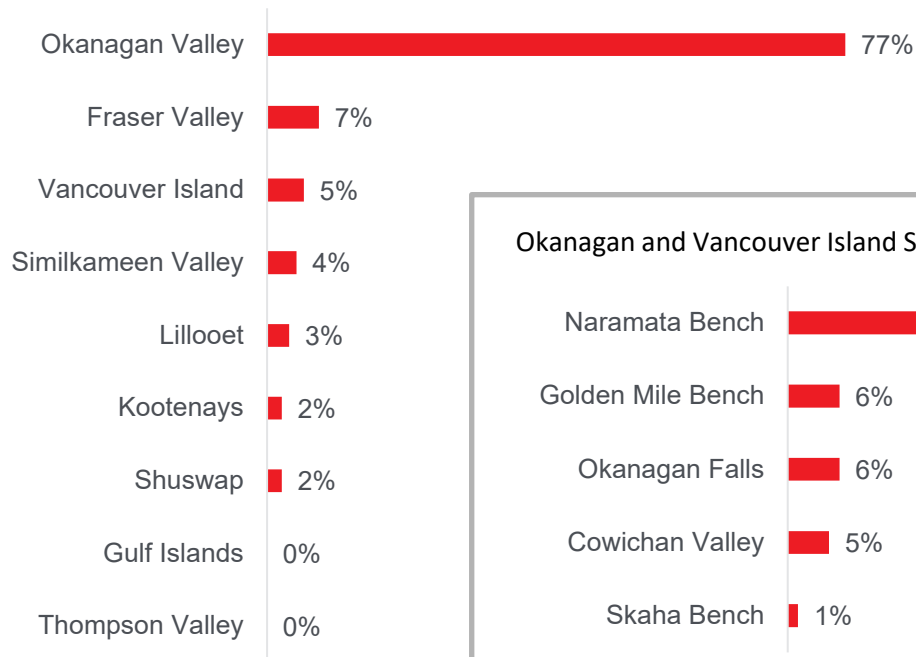
Q. What best describes your business? Select all that apply (Base n=101)

Size of Vineyard



Q. What size vineyard do you farm? (Base n=96)

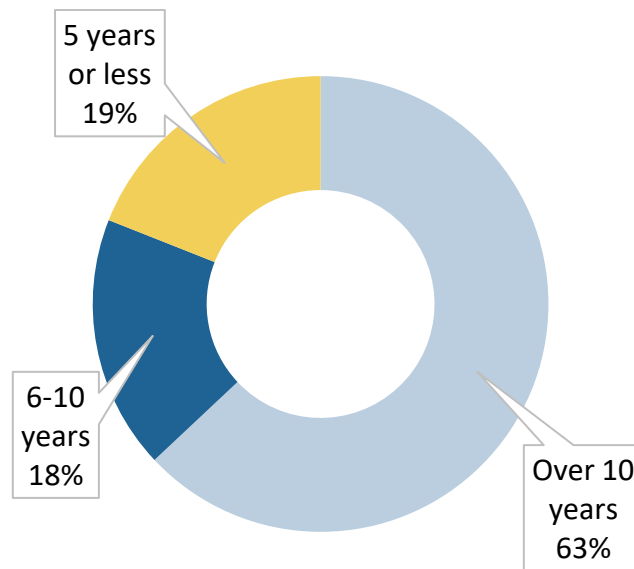
Region of Business Operations



Q. Which official region is your business located in? (Base n=101)

Q. Which official subregion is your business located in? (Base n=83)

Time in Business



Q. How long has your business been in operation? (Base n=100)

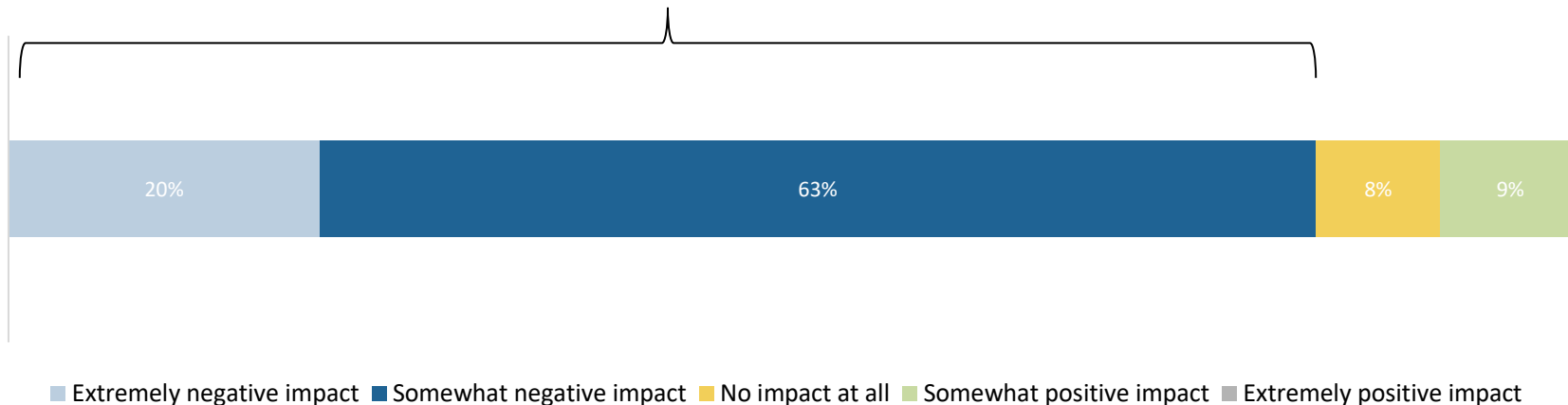
The background of the slide is a close-up photograph of several bunches of grapes hanging from a vine. The grapes are in various stages of ripeness, with some being green and others a deep purple. The leaves are green and slightly out of focus.

BUSINESS IMPACT OF COVID-19

83% of businesses have been negatively impacted by COVID-19

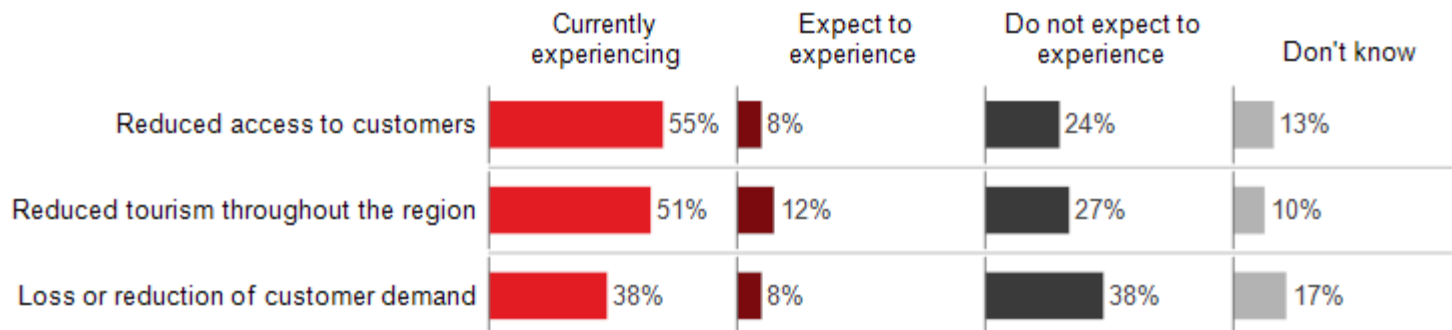
Q. Which of the following best describes the overall impact of COVID-19 on your business? (Base n=101)

The majority of business have been negatively impacted by COVID-19



Impacts of COVID-19: Customers

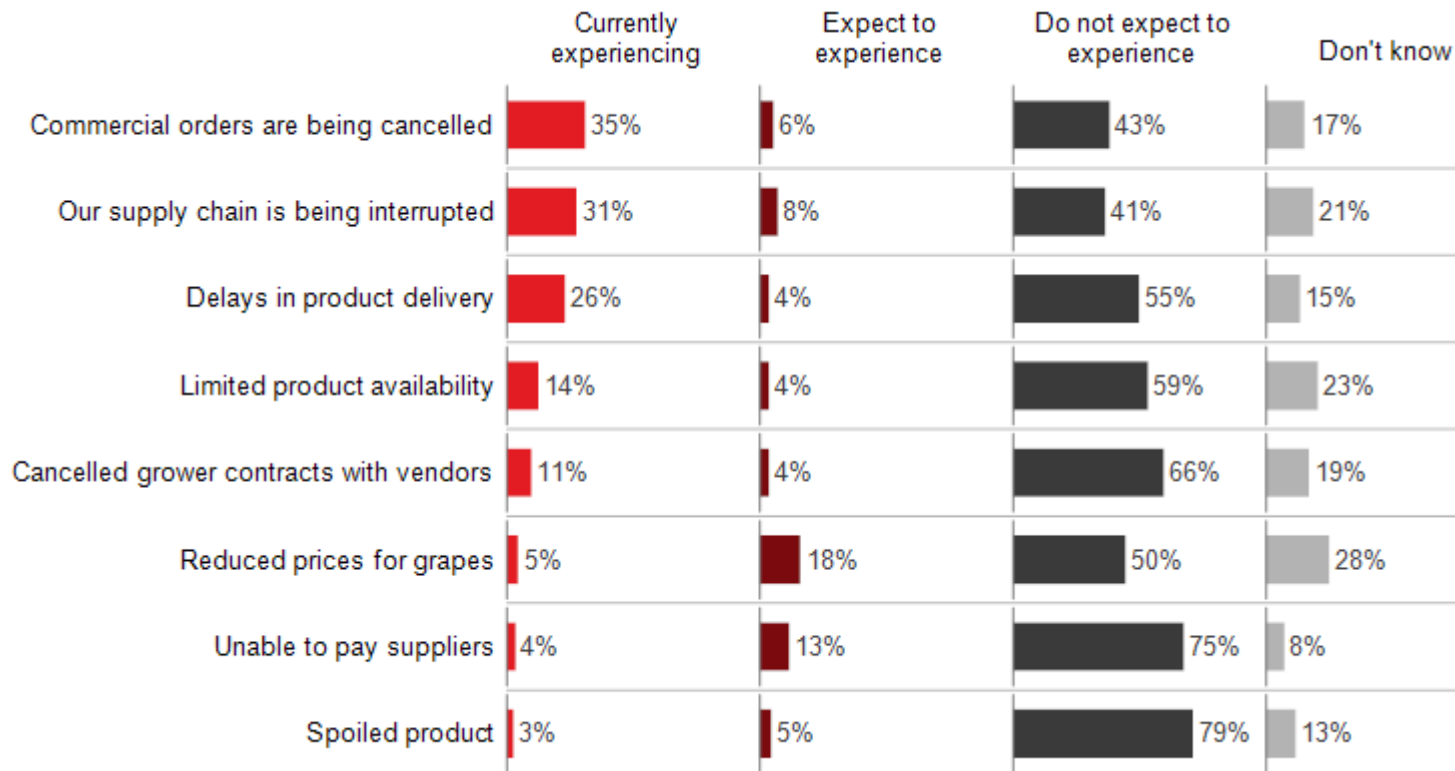
Q. Please indicate whether your organization is currently experiencing or expects to experience each of the following as a result of COVID-19
(Base n=101)



Several operators have already experienced a reduction on customers due to COVID-19. Specifically, ½ of operators indicated that they have already experienced reduced access to customers (55%) and reduced tourism throughout their region (51%).

Impacts of COVID-19: Products/Suppliers

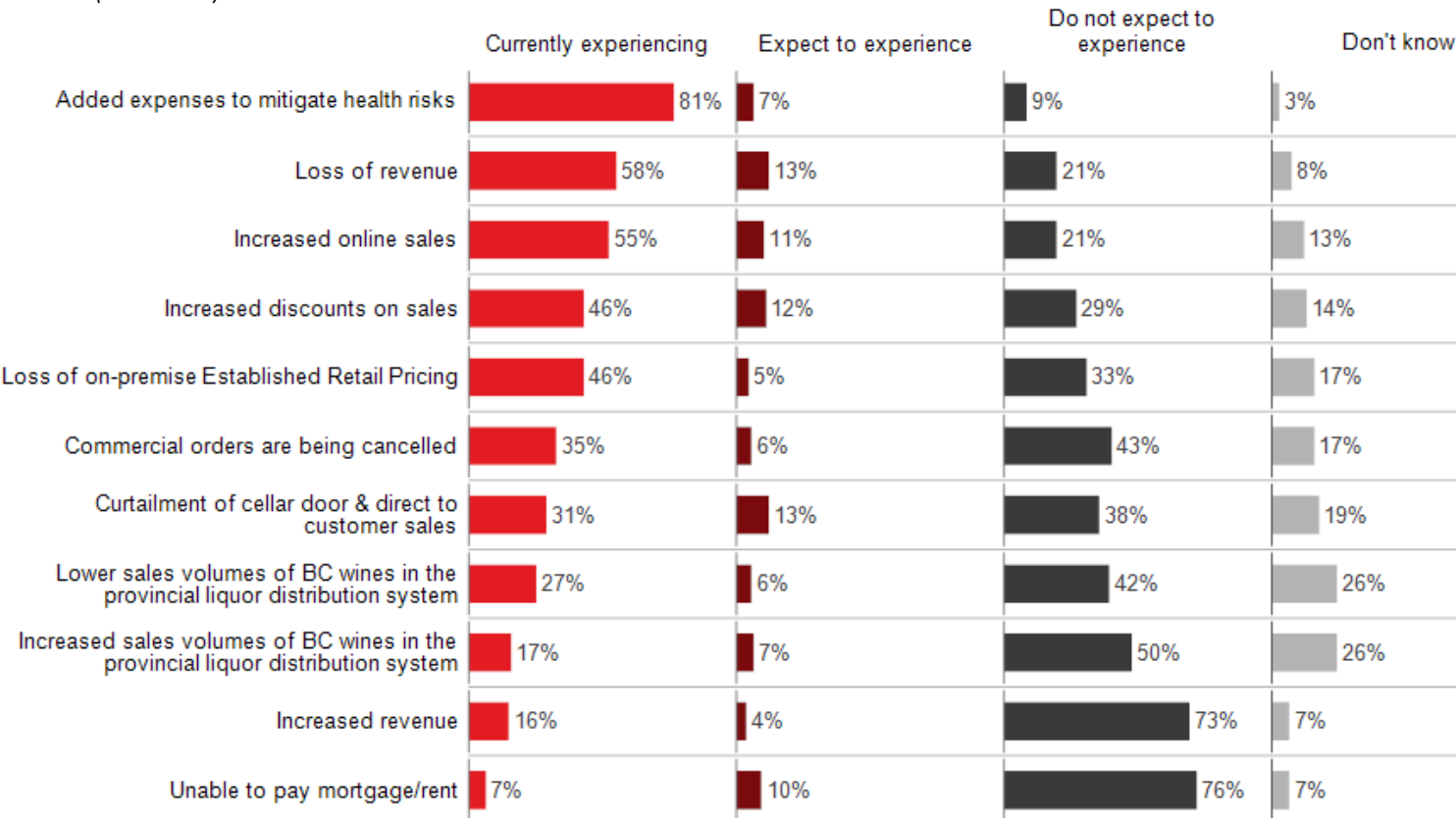
Q. Please indicate whether your organization is currently experiencing or expects to experience each of the following as a result of COVID-19
(Base n=101)



One-third of operators noted that they have experienced the cancellation of commercial orders (35%) and interruptions to their supply chain (31%). However, outside of this, most operators have avoided significant impacts to their supply chain since the onset of the COVID-19 pandemic.

Impacts of COVID-19: Financial

Q. Please indicate whether your organization is currently experiencing or expects to experience each of the following as a result of COVID-19
(Base n=101)

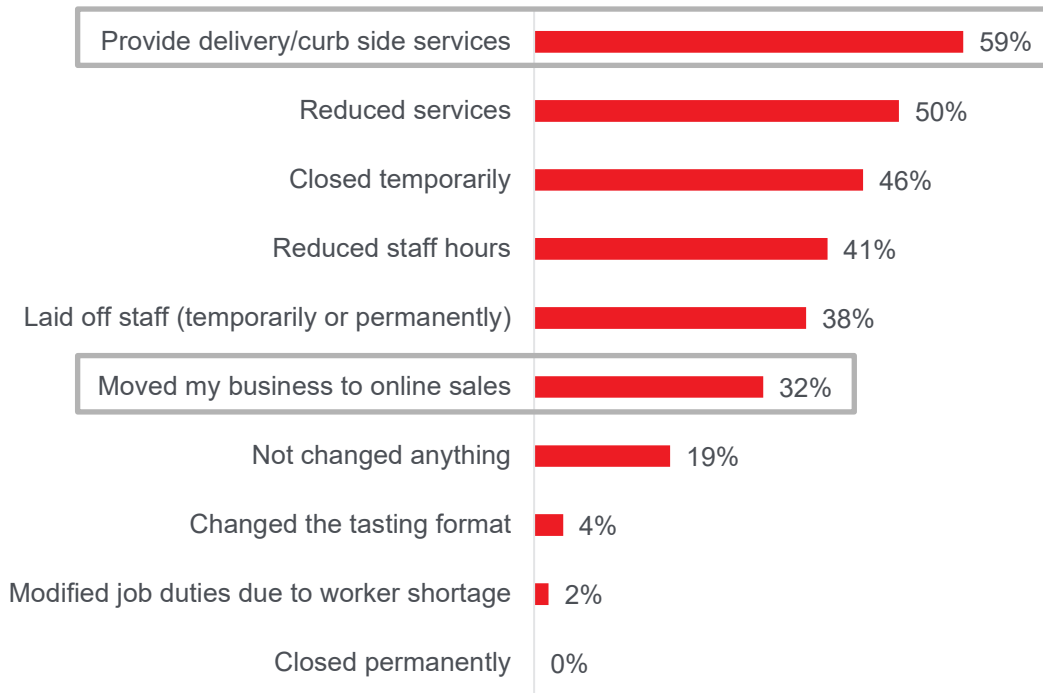


Four in five operators noted that they have had to endure added health expenses to mitigate health risks resulting from COVID-19 (81%). However, ½ of operators also noted that they have experienced increased online sales due to COVID-19, suggesting that there is an opportunity for operators to adjust to the shifting landscape of retail.

Actions Taken as a Result of COVID-19

Q. As a result of COVID-19, which of the following actions have you currently taken? (check all that apply)

Base n=101



Several operators have been required to adjust their operations in light of COVID-19, including:

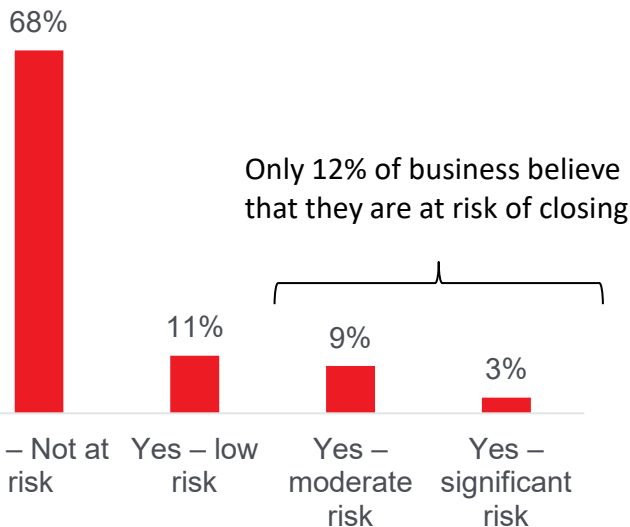
- Reduced services
- Closing their business temporarily
- Adjusting staffing (reduced hours and/or lay-offs)

However, despite the negative impact of COVID-19, operators have also adjusted their business to meet the shifting demands of consumers. Specifically, nearly two-thirds of operators have started offering curb side services/delivery (59%), while one-third have shifted their business to online sales (32%). As health concerns and distancing measures remain, it is important for operators to consider new opportunities to supply their products/services to consumers.

Over two-thirds of businesses are not at risk of closing due to COVID-19

Q. Is your business at risk of closing permanently due to the impact caused by COVID-19? (Base n=101) How long will you be able to manage your operating expenses under the current restrictions in place? (Base n=101)

Risk of Closure Due to COVID-19

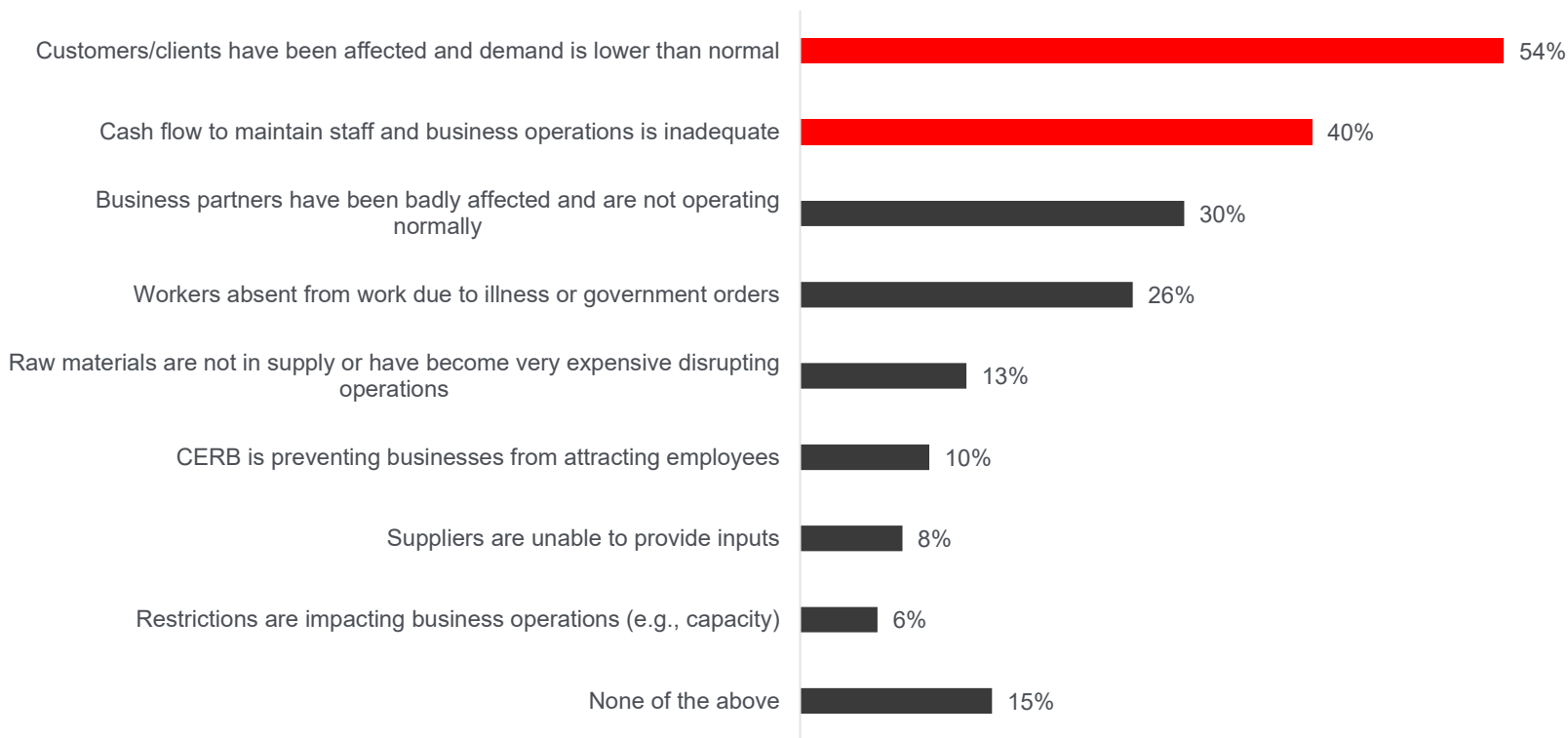


Ability to Manage Operating Expenses Under Current Restrictions



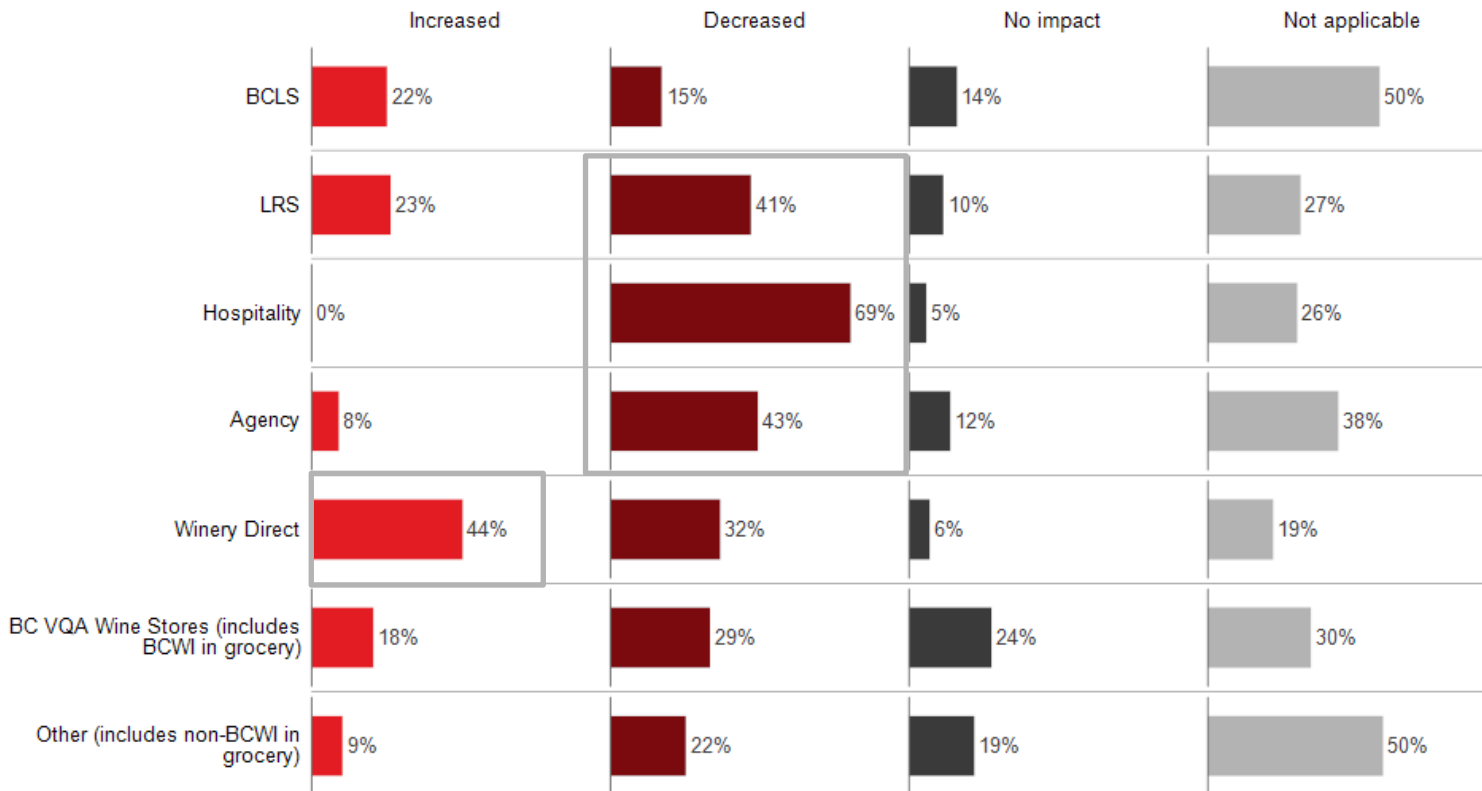
Customer demand and cash flow are the greatest perceived risks over the next three months

Q. Looking ahead to the next 3 months, please indicate the risks your business is facing. (select all that apply) Base n=101



All distribution channels have been at least somewhat negatively impacted by COVID-19

Q. How has COVID-19 impacted your sales amongst each of the following distribution channels? Base n=101

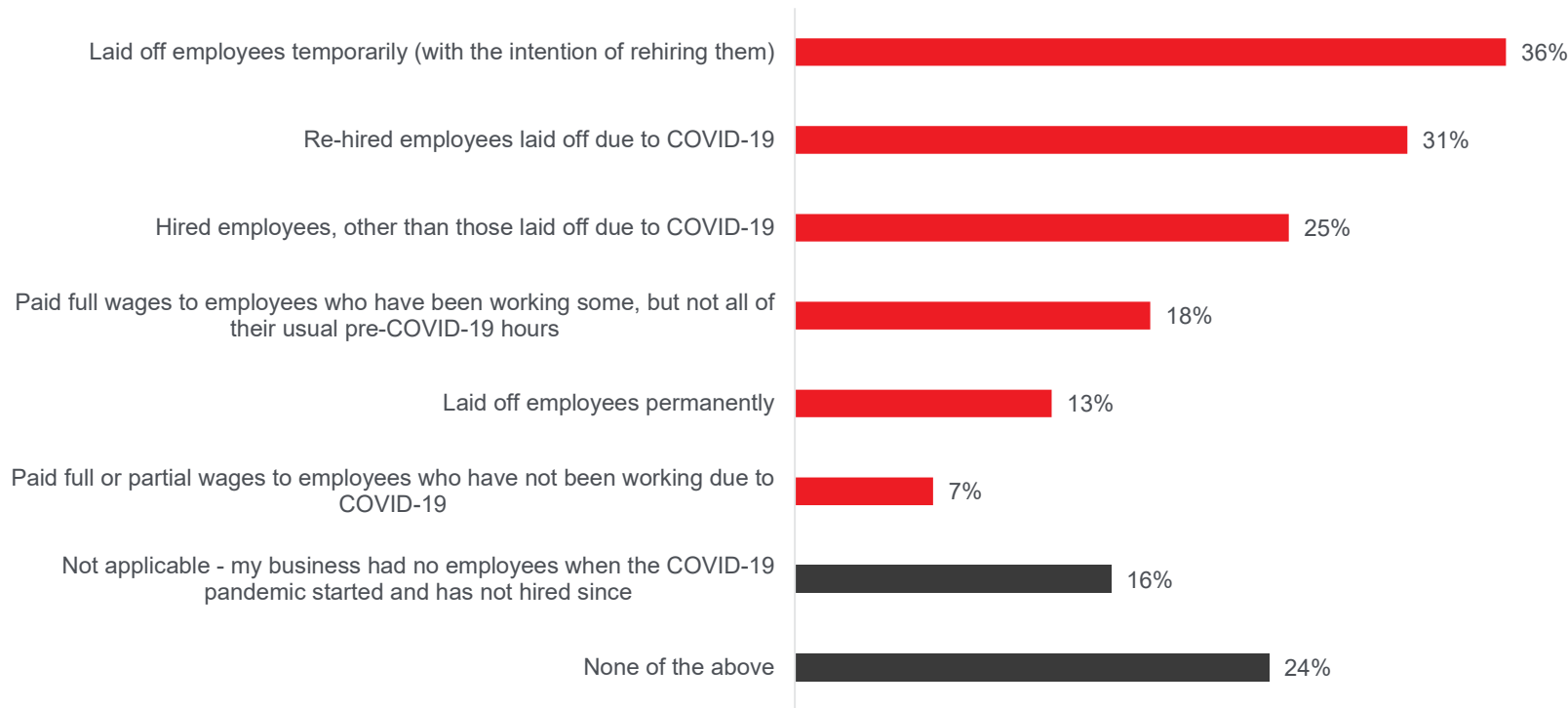


EMPLOYEE IMPACT OF COVID-19

The background of the slide is a photograph of a smiling woman with blonde hair, wearing a dark blue blazer over a white shirt and a dark blue bow tie. She is standing behind a bar, with several bottles of beer in the foreground. The bottles have labels that partially read 'JOIE'. To the right, there are several empty wine glasses. In the background, another person is visible, and the setting appears to be an outdoor or semi-outdoor bar area with a red and white striped awning.

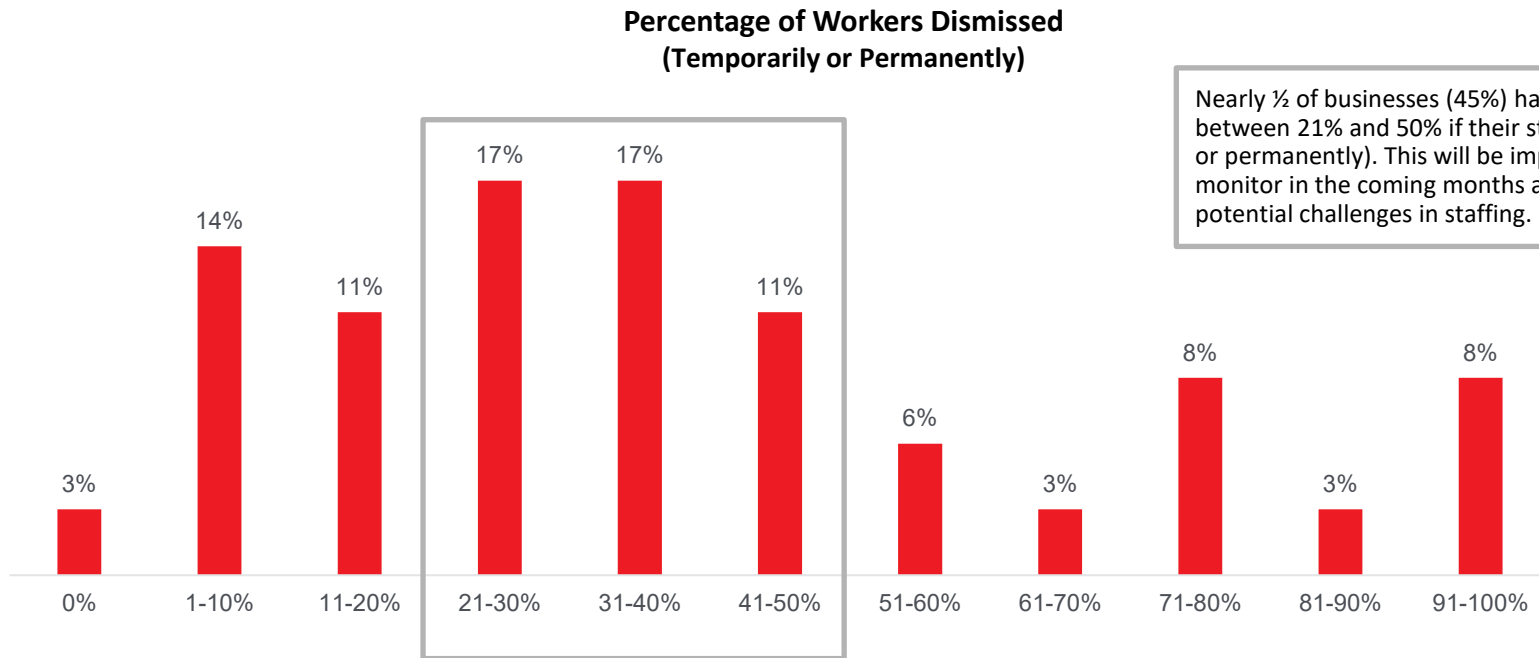
Payroll and Staffing Adjustments due to COVID-19

Q. Has your business taken any of the payroll/staffing decisions since the beginning of the COVID-19 pandemic? (Base n=101)



97% of businesses have dismissed (temporarily or permanently) employees since COVID-19

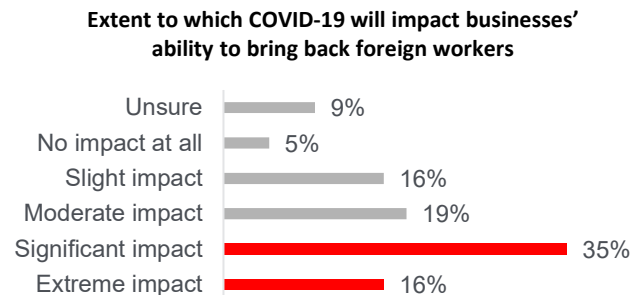
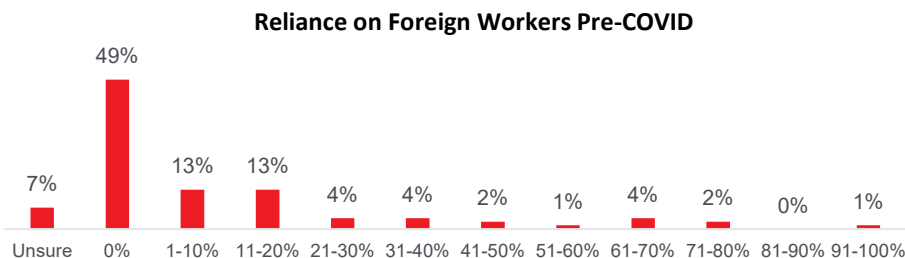
Q. What percentage of workers did you dismiss (temporarily or permanently)? (Base n=39)



Nearly ½ of businesses (45%) have dismissed between 21% and 50% if their staff (temporarily or permanently). This will be important to monitor in the coming months as businesses face potential challenges in staffing.

Reliance on Foreign Labour Pre-COVID

Q. Prior to COVID-19, what percentage of foreign labour did you rely on? (Base n=85) To what extent do you think COVID-19 will impact your business's ability to bring back foreign workers when operations resume? (Base n=43)

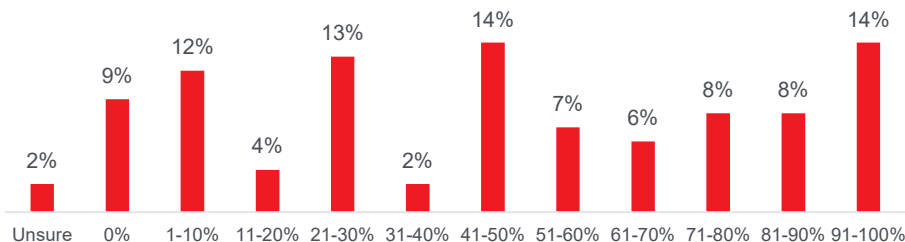


Reliance on foreign labour was quite low among the businesses surveyed. Of those who do rely on foreign workers, 51% of businesses believe that their ability to bring them back will be impacted (significantly/extremely) by COVID-19. This will be important to monitor if staffing issues arise due to a lack of staff availability to fully staff operations in various regions.

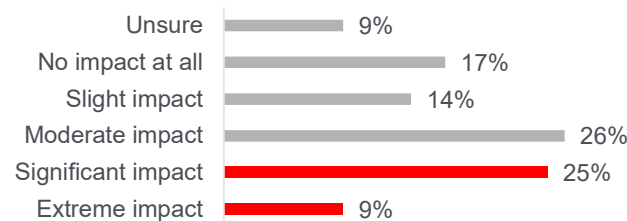
Reliance on Domestic Labour Pre-COVID

Q. Prior to COVID-19, what percentage of temporary domestic labour did you rely on? (Base n=85) To what extent do you think COVID-19 will impact your business's ability to bring back temporary domestic workers as business operations resume? (Base n=77)

Reliance on Domestic Workers Pre-COVID



Extent to which COVID-19 will impact businesses' ability to bring back domestic workers

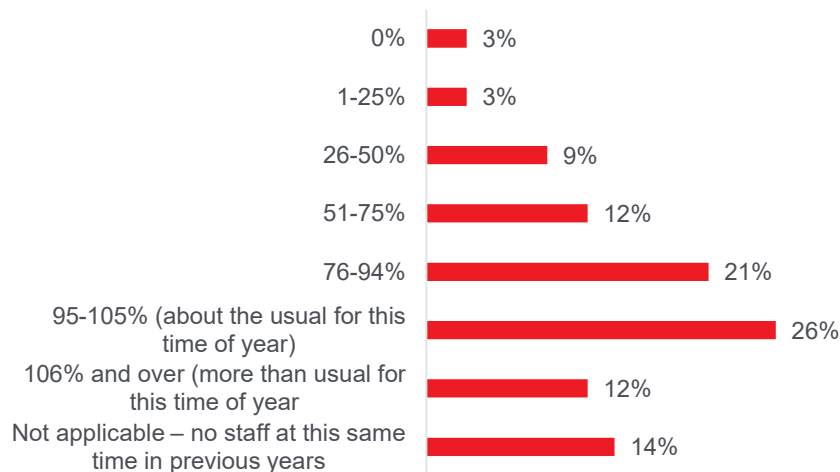


Businesses were significantly more likely to indicate that they relied on domestic workers prior to COVID-19 (as compared to those who relied on foreign workers). Of those who rely on domestic workers, 34% believe that their ability to bring back domestic workers will be impacted (significantly/extremely) by COVID-19.

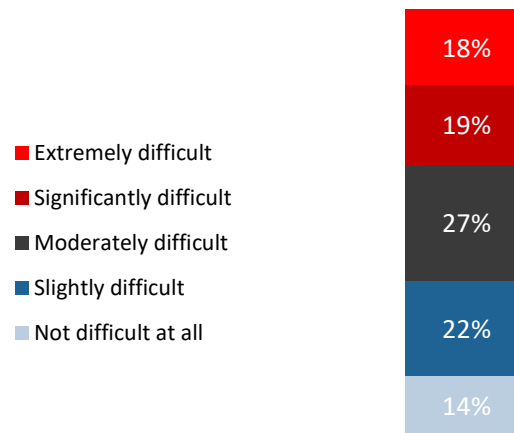
Current Level of Staffing (compared to average levels)

Q. How much of your usual staffing capacity for this time of year is your business currently using?(Base n=100) As the economy has started to reopen, how difficult has it been for you to staff your operations?(Base n=85)

Current Level of Staffing Compared to Average



Difficulty Staffing Operations as the Economy Reopens



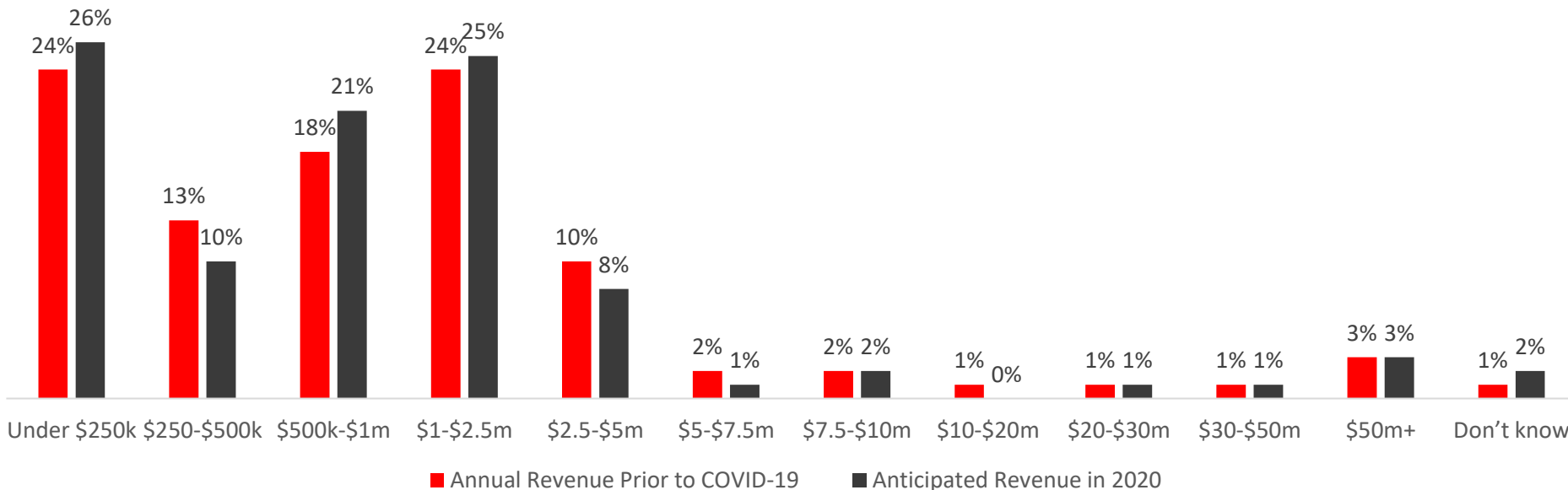
Roughly ½ of respondents are operating at a staffing level that is comparable to/more than previous years. With this in mind, 37% of businesses noted that they have had difficulty staffing their operations. This should be monitored in the coming months to assess further staffing difficulties.

FINANCIAL IMPACT OF COVID-19

The background of the slide is a photograph of a vineyard. In the foreground, a wooden sign on a black post is visible. The sign has a decorative top with a bird-like emblem and the text "HESTER CREEK" and "ROOM". The vineyard rows stretch into the background under a slightly overcast sky.

Anticipated 2020 revenue is comparable to revenue generated prior to COVID-19

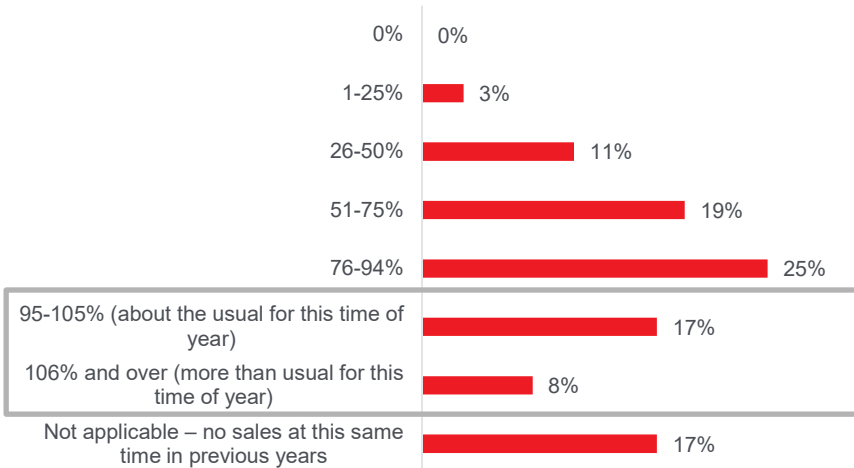
Q. Prior to COVID-19, which if the following best describes your annual revenue? (Base n=97); Based on your current projections, which of the following best describes your anticipated revenue in 2020? (Base n=97)



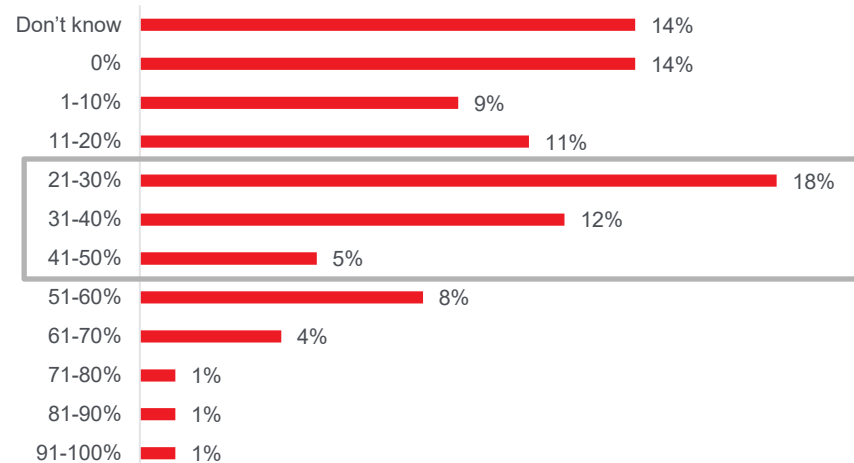
Current Revenue and Anticipated Declines

Q. How much of your usual revenues at this time of year is your business currently making? (Base n=100) Based on the current situation, by what % do you anticipate your revenue to decline over the next 6-months compared to last year? (Base n=98)

Current Revenue Compared to Average



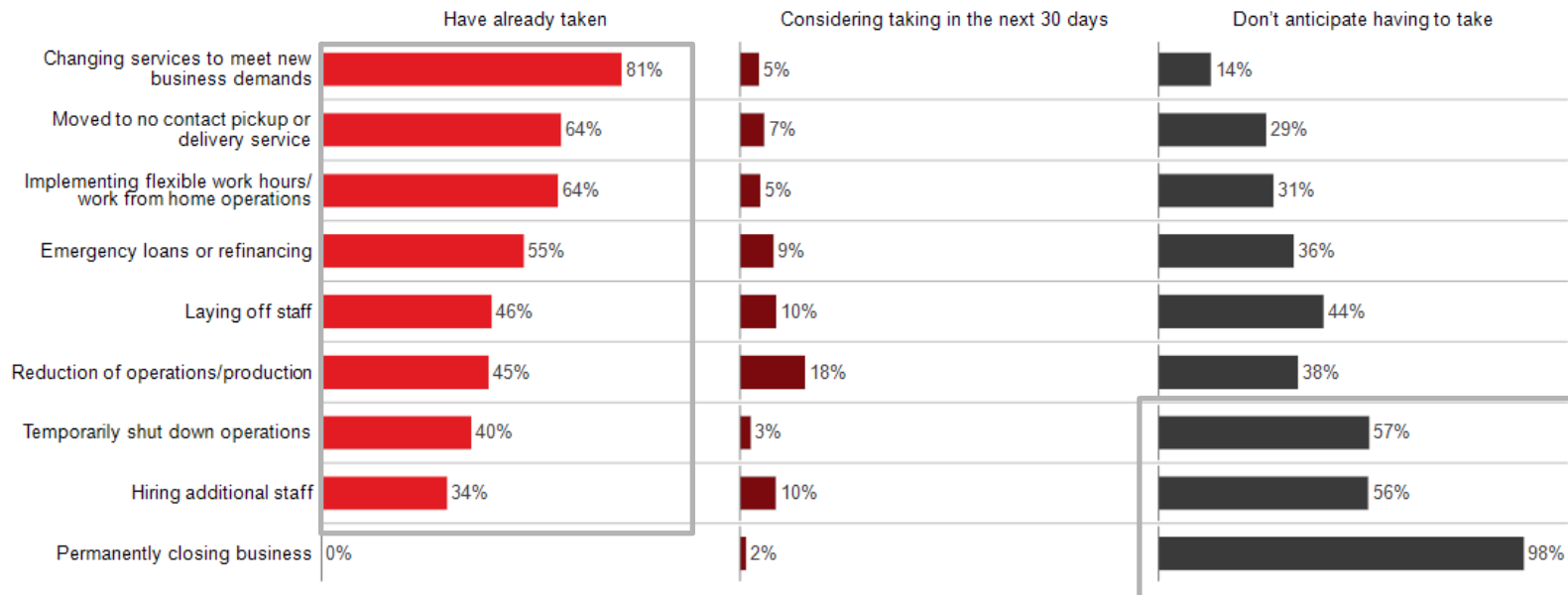
Anticipated Revenue Decline (next 6 months)



Results revealed that 1 in 4 businesses are generating as much (or more) revenue currently compared to average during this time of year. However, 35% of businesses do expect their revenue to decline between 21% and 50% over the next 6-months. These results suggest that the long-term financial impact of COVID-19 may not be fully realized by all businesses.

Most businesses have take measures to mitigate the economic Impact of COVID-19

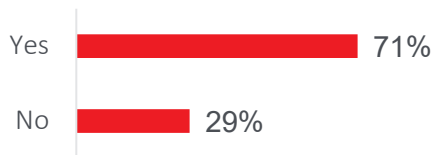
Q. What measures have you taken (or will take) to mitigate the economic impact of the COVID-19 pandemic (Base n=55 to 80)



Sufficient funding is available to help the recovery process

Q. Do you have your own funding (e.g., cash on hand, savings) to help your business recover? (Base n=101) Is this funding a sufficient amount to help your business recover? (Base n=72) Do you have access to alternative/external funding (e.g., loans or grants) to help your business recover? (Base n=101) Is this funding a sufficient amount to help your business recover? (Base n=70)

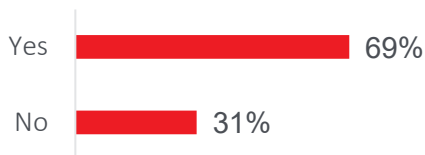
Have Own Funding to Help Business Recovery



78%

Of respondents believe that their own funding is sufficient to help their business recover

Have External Funding to Help Business Recovery

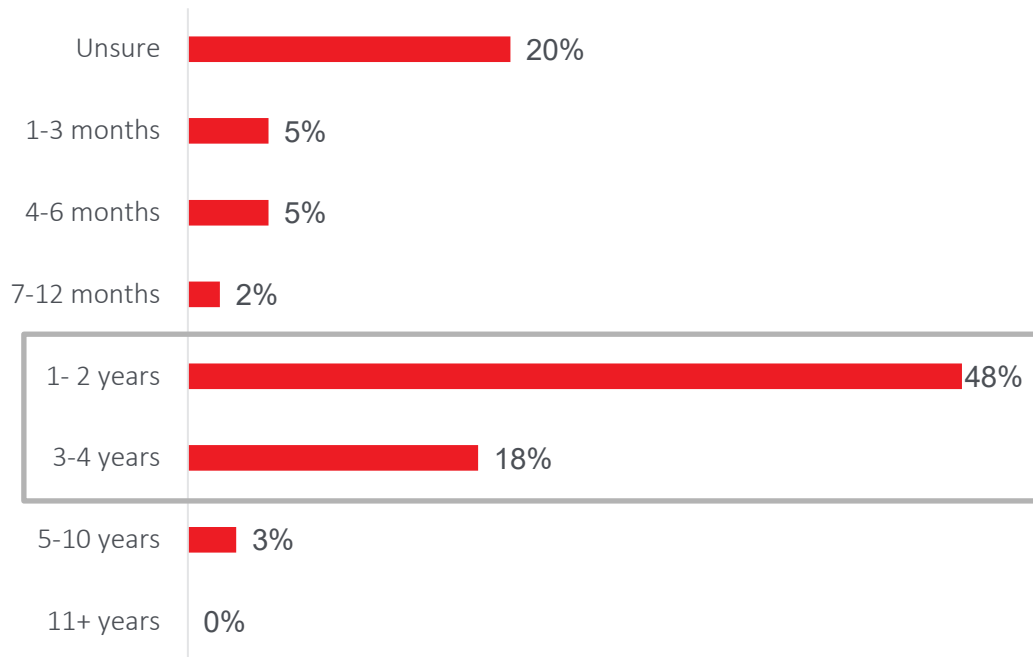


81%

Of respondents believe that their external funding is sufficient to help their business recover

60% of businesses will take 1 to 4 years to recover financially

Q. Based on your current financial situation, how long do you think that it will take to recover financially from the impacts of COVID-19? (Base n=101)



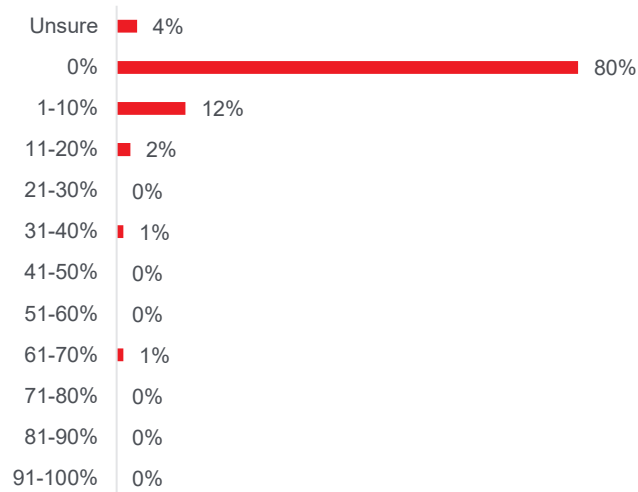
Despite sufficient amounts of funding available to help in the recovery process, 60% of businesses noted that it will take them between 1 and 4 years to recover from the financial impacts of the COVID-19 pandemic. This should be monitored over the coming months as financial impacts continue to be noticed due to social restrictions and health concerns.

PRODUCT AND SALES IMPACT OF COVID-19

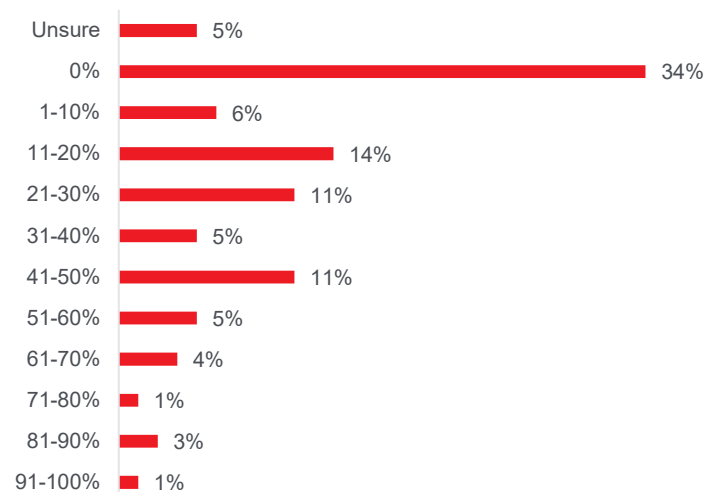
Declines in Product and Sales

Q. Since the start of the COVID-19 pandemic, what % of your product has been spoiled? (Base n=84) By what % has your on-site sales declined over the past month compared to last year? (Base n=80)

% of product spoiled since the COVID-19 pandemic



% decrease in on-site sales in the past month (compared to average)

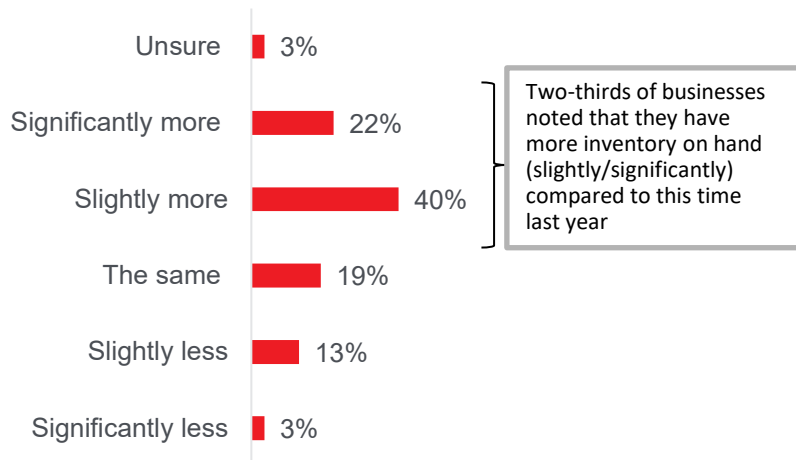


Very few businesses have experienced any spoiled product since the start of the COVID-19 pandemic. However, two-thirds of businesses (66%) have noted a decline in on-site sales compared to this time last year.

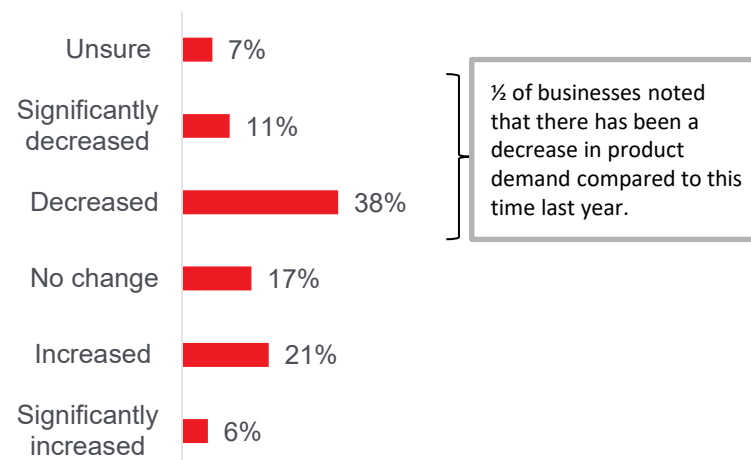
Supply vs. Demand

Q. How would you describe the amount of product inventory you currently have compared to this time last year? (Base n=86) To what extent has the demand for your product changed compared to this time last year? (Base n=96)

Amount of Inventory on Hand (compared to average)



Changes in Demand for Product (compared to this time last year)

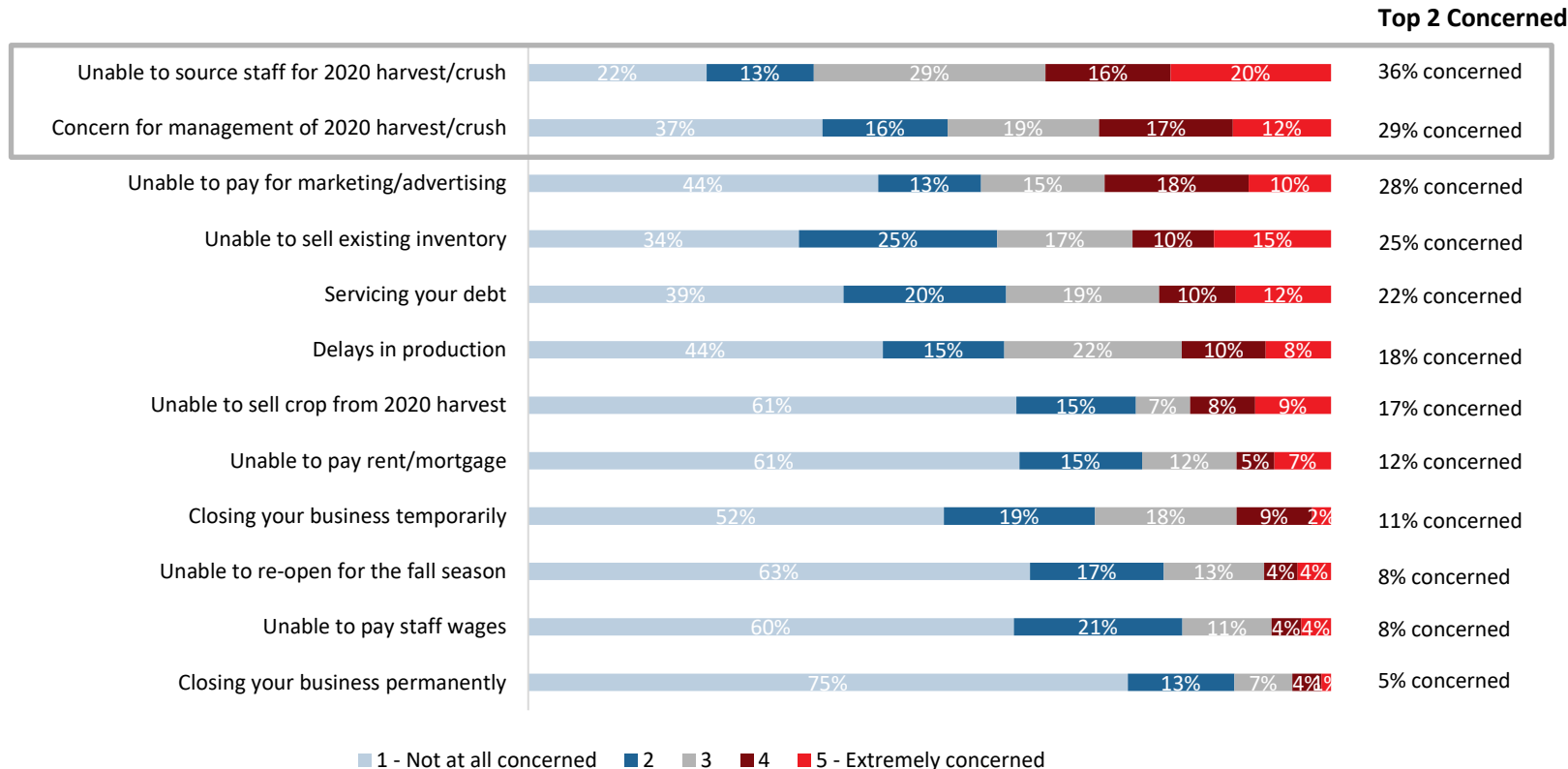


The background image shows a scenic view of a vineyard in the foreground, with rows of grapevines stretching across a hillside. In the middle ground, there is a modern building with large glass windows and a covered outdoor seating area where several people are dining. The building has a mix of dark wood, concrete, and glass. In the background, there are rolling hills and mountains under a dramatic sky with scattered clouds. The sun is low on the horizon, creating a strong lens flare effect that radiates across the center of the image.

LOOKING AHEAD

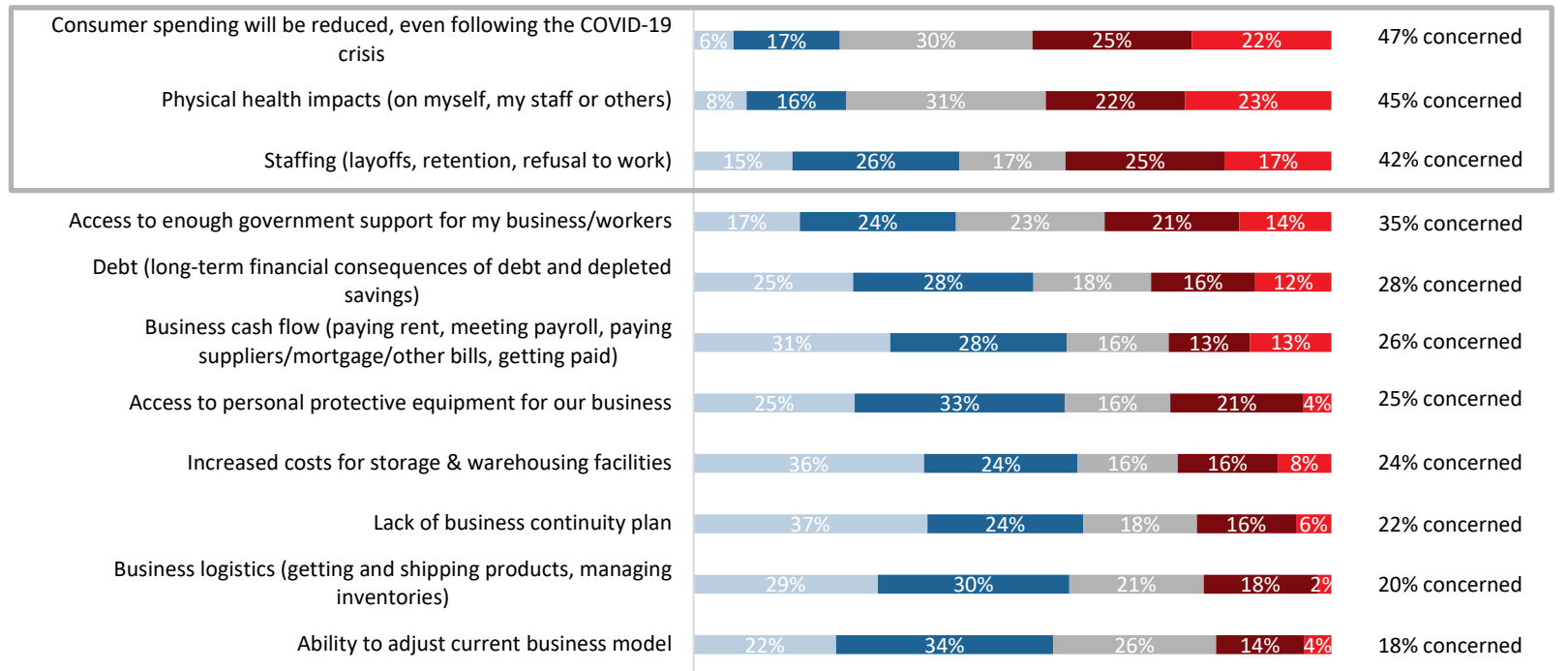
Operational Concerns in the Next Three Months

Q. Looking ahead to the next 3 months, how concerned are you with each of the following (Base n=72 to 90)



Business Concerns in the Next Three Months

Q. Looking ahead to the next 3 months, how concerned are you with each of the following: (Base n=83 to 96)



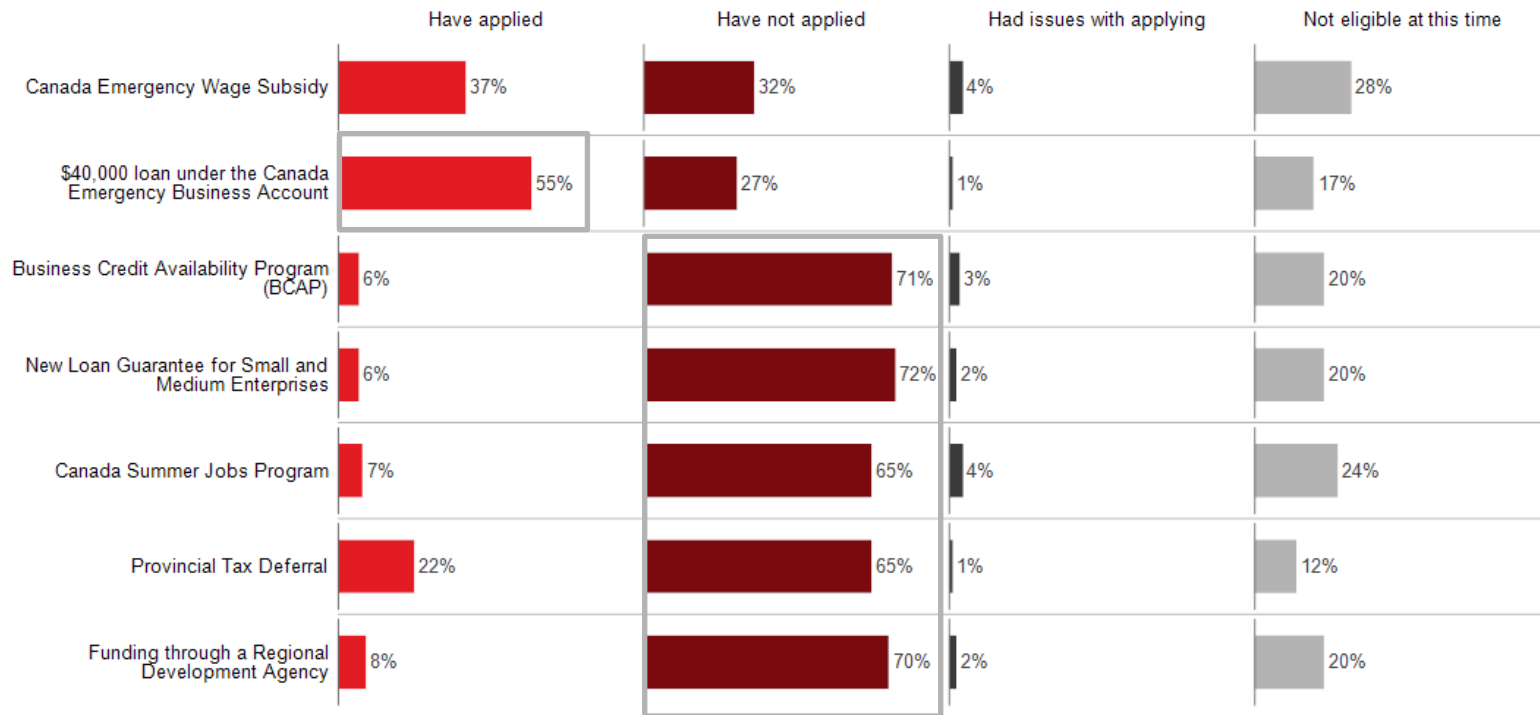
■ Not at all concerned
 ■ Somewhat concerned
 ■ Moderately concerned
 ■ Concerned
 ■ Highly concerned

The background of the slide is a photograph of the Saskatchewan Legislative Building. The building is a large, ornate stone structure with multiple levels of arched windows and a prominent central dome with a green patina. The sky is a clear, deep blue. In the upper right corner, there are dark, silhouetted leaves of a tree. The title text is centered over the building.

GOVERNMENT PROGRAMS AND ACTIONS

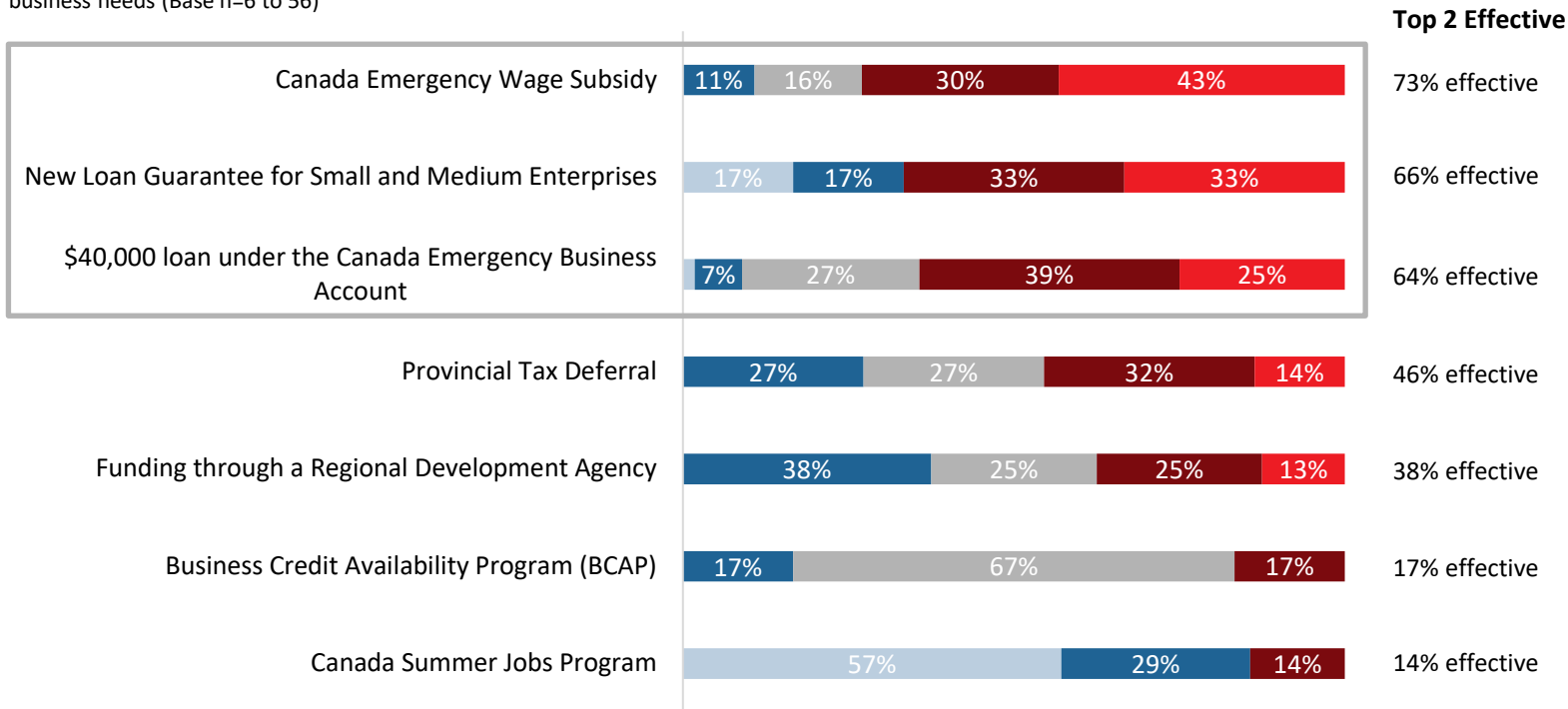
Federal and Provincial Relief Grants

Q. Which of the following Federal and Provincial relief programs have you applied for: (Base n=101)



Effectiveness of Provincial and Federal Relief Programs

Q. Based on ease of the Federal and Provincial relief programs that you have applied for, how effective are each with respect to supporting your business needs (Base n=6 to 56)

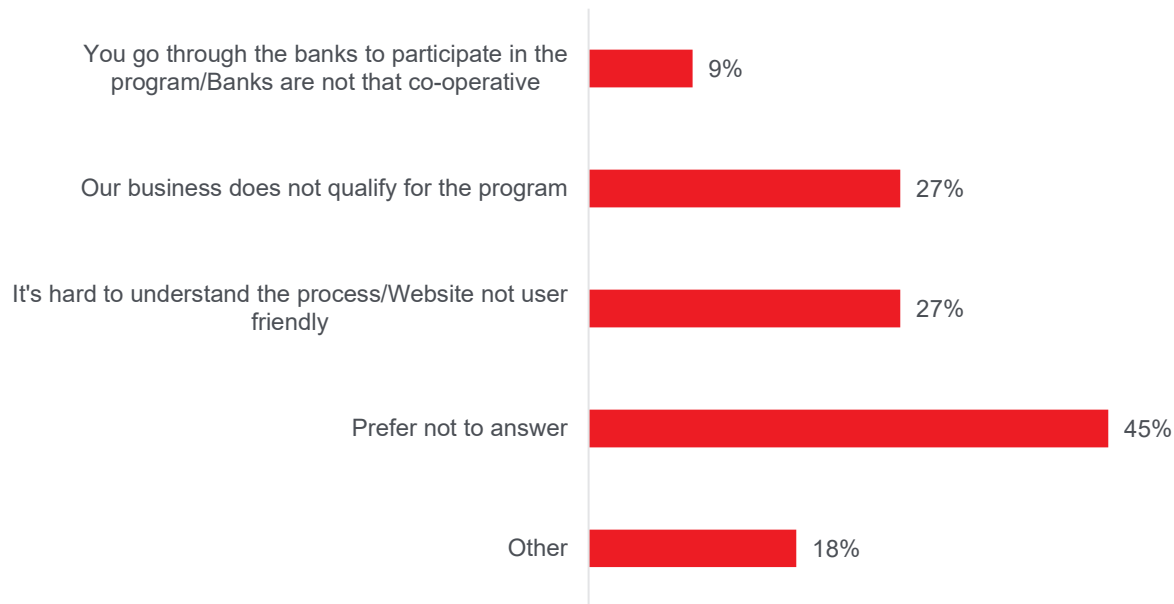


■ Not at all effective
 ■ Slightly effective
 ■ Moderately effective
 ■ Very effective
 ■ Extremely effective

Issues with Applying for Relief Programs

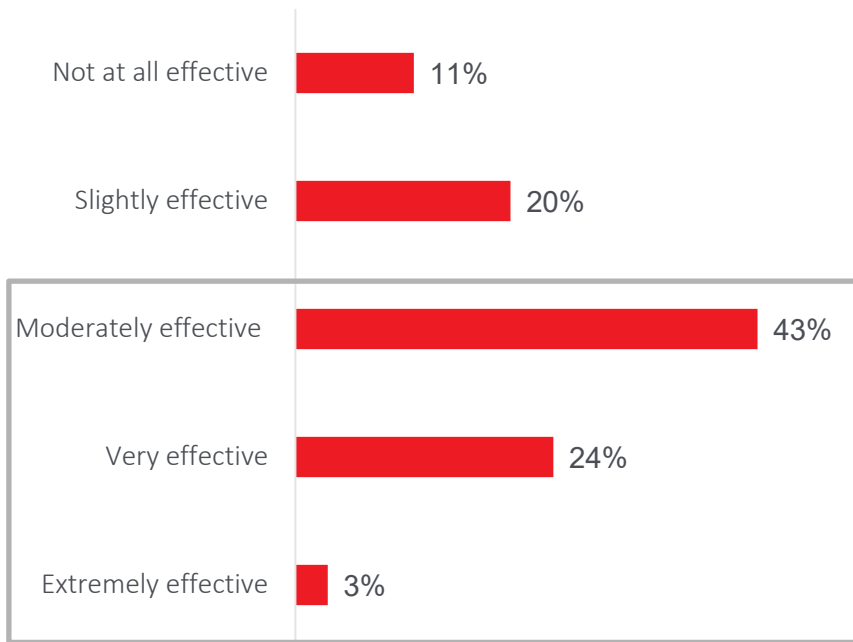
Q. Briefly explain the issues that you have had with applying for Federal and/or Provincial relief programs (open-end response; Base n=11)

NOTE: Small n, interpret with caution



Effectiveness of BCWI in Supporting Business Needs

Q. Since the start of the COVID-19 pandemic, how effective has the BCWI been with respect to supporting your business needs? (Base n=75)



Approximately 1 in 4 businesses (27%) have found the support provided by BCWI to be very/extremely effective in supporting their business needs. Further, nearly half of respondents noted that the BCWI has been moderately effective in supporting their business needs. This presents an opportunity for the BCWI to further explore how they can further support business needs as these needs may continually shift as the pandemic unfolds.

REBUILDING

Analytic Approach: MaxDiff Analysis

To establish a clear understanding of the forms of support that businesses believed would have the greatest impact in helping them rebuild their business following COVID-19, a MaxDiff analysis was performed.

What is MaxDiff?

A MaxDiff study involves presenting a sample of respondents with a series of questions, in which each question contains a list of alternatives. Respondents are asked which alternative they like the most (*best*) and which the least (*worst*). The combinations of items are designed very carefully with the goal that each item is shown an equal number of times and pairs of items are shown an equal number of times.

The Current Design

Respondents in the current study were presented with 9 questions, each of which included four different support systems. The supports that were tested included:

- Bridge funding support
- Access to alternative packaging options
- Business plan redevelopment
- External investor
- Financial advisor
- Opening market access (e.g., interprovincial direct-to-customer sales, increased access to government liquor stores, winery off-site retail, etc.)

- Support marketing my business
- Support marketing our industry
- Market research and insights on shifting consumer behaviours
- Market Intelligence (condition of each market, pandemic situation, economy)
- Labour force support (attracting workers)

Respondents were asked to indicate which of the four supports would have the greatest impact on their business, and which would have the least impact, as shown below:

Which of the following supports will have the greatest impact in helping your business rebuild from COVID-19, and which do you think will have the least impact?

1 of 9

Most impact		Least impact
<input type="radio"/>	Bridge funding support	<input type="radio"/>
<input type="radio"/>	Business plan redevelopment	<input type="radio"/>
<input type="radio"/>	Market research and insights on shifting consumer behaviours (travel intentions, safety concerns, product preferences, product/business expectations)	<input type="radio"/>
<input type="radio"/>	Labour force support (attracting workers)	<input type="radio"/>

Results provide an understanding of differences between people in terms of their preferences for the alternatives. Specifically, *share of preference scores* which demonstrate the probability that an item would be chosen over another if a respondent was asked to select the best from all options.

Overall, this information will allow BCWI to establish strategic objectives that prioritize initiatives that are the most valued across industry representatives.

Analytic Approach: MaxDiff Analysis

Q. Which of the following supports will have the greatest impact in helping your business rebuild from COVID-19, and which do you think will have the least impact?
Base n=101

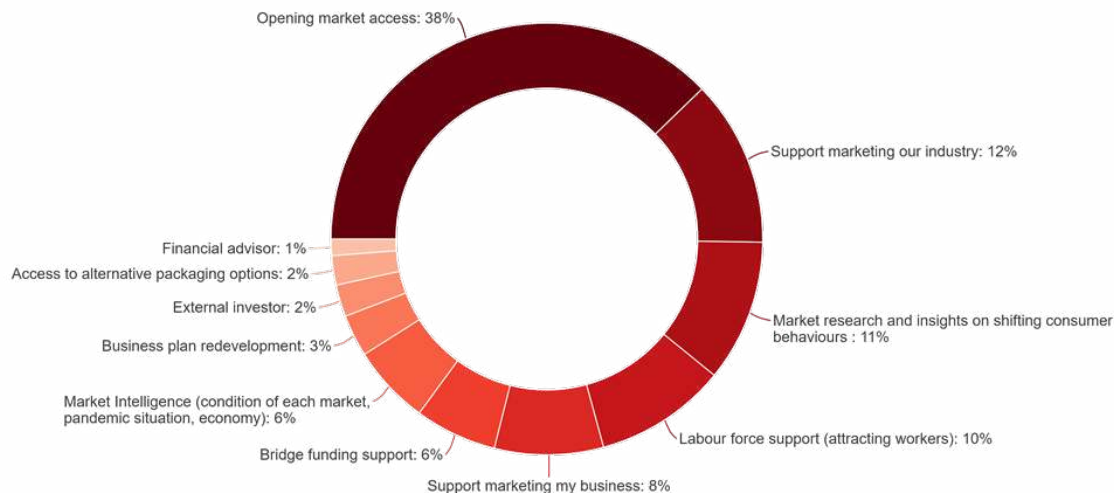
An assessment of which support systems would have the greatest impact in helping respondents rebuild their business revealed three key forms of support

- Opening market access (38%)
- Support marketing our industry (12%)
- Market research on shifting consumer behaviours (11%)

On the other hand, the forms of support that would be the least impactful in rebuilding ones business were:

- Financial advisors
- Access to alternate packaging options
- External investor
- Business plan redevelopment

Overall, results suggest that in addition to opening market access, respondents are largely in need of market support. Specifically, respondents need assistance marketing their industry and also require market research on shifting consumer behaviours (e.g., travel intentions, safety concerns, product preferences, product/business expectations).



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