

40 KNOTS WINERY

CASE STUDY

A COVID-19 JOURNEY OF RESILIENCE



[40 Knots Winery](#) is a family-owned and operated estate winery and events venue located in the heart of the Comox Valley, known as the land of plenty. One of the largest grape wineries on Vancouver Island, the owners, Brenda Hetman-Craig and Layne Craig, believe it is an honour to produce award-winning wines while providing a distinct range of high quality, ethical product, services and experiences that create value for their customers in BC and beyond.

The company's commitment to sustainable business, agriculture and agri-tourism practices is deeply rooted in caring for the land, their staff, customers, partners and community. Wine sales represented 88% of their pre-COVID-19 revenues. Tourism and local events generated the balance by offering traditional wine tastings, weddings, meetings, special events, a wine club, patio picnics, an interpretive trail through the vineyard, and regular weekly events over the summer featuring musicians and local food.

COVID-19 REALITY

In March 2020, "40 Knots", as they are fondly referred to, was on a steady, strategic growth curve anticipating their best year ever with plans for a significant infrastructure investment. When the pandemic hit the company experienced immediate losses in all areas of their business:

- Events and venue rentals were all cancelled – an 8% hit to the bottom line for the year
- The first 3 months:
 - o Farm gate sales declined 50%
 - o Restaurants & accommodations partners sales declined 75%
 - o Liquor store sales declined 29%



Photo: My Van City 2020

As grape and apple farmers producing and selling wine, provincial COVID-19 regulations deemed 40 Knots an essential service. However, they were forced to lay off 100% of their staff and operate with only family members despite it being a critical time for pruning and bottling. In June, when they reopened, they focused on communicating with and selling to their most loyal customers – their wine club members.

FACING REALITY AND EMBRACING RISK

"There is no finish line. To succeed, we must remember the path is always changing. Look ahead, weave and take on the peaks and valleys"

Brenda Hetman-Craig, Co-Owner, 40 Knots Winery

Success during the first six months of the pandemic (March-August, 2020) was a balancing act that required keeping an eye on the strategic long-term goals, managing customer expectations, and cash flow while taking calculated risks when addressing tactical opportunities.

While 40 Knots engaged a wide range of tactics to rebuild their lost revenues, they maintained their strategic focus in four areas:

1. Caring for their loyal customer base while exploring new markets emerging as a result of the pandemic.
2. Launching a suite of short-term tactics, introduced throughout the year to welcome the local community.
3. Reassessing and then continuing with a major planned infrastructure investment.
4. Advancing their commitment to sustainable business practices and certifications.

CULTIVATING LOYAL CUSTOMERS AND NEW MARKET OPPORTUNITIES

In response to the changes brought about by COVID-19, 40 Knots looked at how to best optimize the Customer Lifetime Value (CLV)¹ of their most loyal customers, while evaluating new market opportunities emerging as a result of the pandemic..

Customer analyses identified that 40 Knots wine club members accounted for a high share of sales given their relatively small numbers and as such were seen as a key market segment. Not only do wine club members purchase a broader range of products and experiences more frequently, many are raving fans who provide great reviews on social media and recommend the wine and destination to friends, family and colleagues. A “Gold Standard” program was introduced that was designed to surprise and delight their most valuable and loyal customers by offering exclusive perks and amenities when on-site as well as access to special events.

The pandemic also forced conversations about how to cultivate new customers seeking new experiences closer to home. 40 Knots discovered a subset of Millennials (born 1981 to 1994) who were sophisticated and interested in learning about wine and enjoyed the social atmosphere the vineyard provides. This segment has become a new focal market since COVID-19.

This enhanced customer understanding led to a new series of classes offered by 40 Knots. A “Class Pass” was created as an incentive for customers to enrol in multiple classes. This pass has created a new product that is building a base of repeat customers. Graduation comes with a recognition pin and an invitation to the Alumni Tasting Club that meets quarterly to experience blind tastings of wines from around the world. While not all pass holders became wine club members, engaging with the winery on a more frequent basis and tasting more wines has led to a number of these customers joining the wine club.



THE ROLE OF TECHNOLOGY

A few technology tools proved to be very helpful to 40 Knots in identifying and learning about their best customers and designing and executing seamless guest experiences:

- [Wine Direct](#), their e-commerce platform with integrated analytics, provides historical spending and determines each customer’s lifetime value, sends automated emails, has functionality for club membership management, CRM, blogs and newsletters.

1. Customer Lifetime Value (CLV) is the total worth to a business of a customer over the whole period of their relationship. It's an important metric as it costs less to keep existing customers than it does to acquire new ones, so increasing the value of your existing customers is a great way to drive growth.

- [FocusGroupPlt](#) a free app 40 Knots uses with selected customers to test ideas and better understand customers' needs and desires.
- [Tock](#) reservations technology is used to manage scheduling of on-site visits, pick-ups and deliveries and integrates with their social media channels.
- [Triple Seat](#) to streamline the event booking and management process.

TACTICAL RESPONSES TO TRENDS EMERGING AS A RESULT OF THE PANDEMIC

With the loss of all events, the company needed to increase ancillary revenues aligned with their core wine business. Investments in these complementary revenue streams would also generate repeat business and cross promotion opportunities, especially with their new locally-based customers. The following are trends and opportunities 40 Knots identified and addressed.

Trend / Opportunity	40 Knots Winery Response
Cooking and experimenting with food at home	<ul style="list-style-type: none"> • Developed and sold food and wine packages to enjoy at home with complementary locally grown and manufactured artisan foods. Developed the Culture Club – an international cheese purchasing membership.
Explosion in online shopping	<ul style="list-style-type: none"> • Updated the website and made it easier for customers to purchase online.
Virtual experiences	<ul style="list-style-type: none"> • Looking to develop digital experiences to engage with customers unable to visit the winery.
Growth in a local customer base	<ul style="list-style-type: none"> • Shifted the retail product mix away from souvenirs for tourists to items appealing to wine aficionados (good wine tools) and items for picnics and other experiences of interest to the local market (e.g., books for the book club, cheese boards for the Culture Club, etc.).
A sophisticated group of older Gen Z and young Millennials were looking for new experiences and finding 40 Knots	<ul style="list-style-type: none"> • Updated the look of their label with simple bold visuals that resonated with the new, younger customer, as well as older customers who appreciated the larger font. The new labels draw on the cache of the winery, featuring its name and reputation, rather than the style of wine. • Developed new experiences of interest to these younger customers: classes, guided tastings and vineyard tours.

INVESTED IN NEW SPACE FOR FUTURE GROWTH

A premier venue space for weddings and special events has been the outdoor patio. In 2018, 40 Knots eliminated the cooking space on the patio, which increased the number of guests they could host to 150. This allowed for a prime view of the vineyard. In 2020, 40 Knots replaced the canvas cover on the patio to a permanent roof with a 30-year lifespan.

Then the pivotal decision came. “Do we continue with the planned patio enhancements or wait until the outcome of the pandemic is known?”

The family opted to continue with their major investment in moveable glass panel walls and a built-in heating system to allow for year-round events to take place 'in nature' with the window open in temperate weather, or 'by nature' if the glass doors were closed. The investment opens the potential for 40 Knots to be a year-round destination attractor for the Comox Valley and was recognized by the federal Member of Parliament, Rachel Blaney, in her [legislative address to parliament](#) about the creativity of small businesses.



The decision to continue with their existing plans was, in part, influenced by the emerging pre-COVID requests for smaller group bookings of 50 to 60 people to use their venue at various times of the year. The company was seeing shifts from big weddings with lesser quality food and wine to smaller, more intimate, high-quality upscale experiences with great food and wines – spending the same amount of money but with a smaller group. COVID-19 created the unexpected opportunity to trial the patio space in this fashion. It worked. Guests loved the social distancing, views and yet with the glass enclosure there was a

sense of togetherness. This investment now stages 40 Knots to be the only enclosed, outdoor venue in the Comox Valley, opening the door to year-round events. Because 40 Knots doesn't offer meals, hotel and resort partners looking for special off-site guest experiences can bring their food services team to the venue or hire a local chef. 40 Knots has two kitchens on site: a commissary kitchen that chefs can utilize with prepared food ready to plate, and a manufacturing kitchen to create food on site.

COMMITMENT TO SUSTAINABLE BUSINESS AND TOURISM PRACTICES

"The day we drove onto the property as owners, was the day we stopped all poor environmental past practices and committed to restoring the health of the land and the ecosystem, which we knew would be essential to producing the quality of wine our customer aspires to."

Layne Craig, Co-owner

The commitment to sustainable agriculture, tourism and business practices has been at the heart of the company since the onset. Their agricultural approach goes beyond organic and embraces biodynamic farming methods that treat soil, crops and animals as a single system. In March 2021, six years after taking over the farm, their efforts were recognized by being the first vineyard on Vancouver Island to receive the new [Platinum GreenStep certification](#). This certification assesses the company against 81 criteria aligned with the Global Sustainable Tourism Council.



One new element of the 40 Knots certification process was sharing their new [Economic Distribution Label](#) created to tell their fabulous story about their commitment to and support of the local community.

40 KNOTS VINEYARD AND ESTATE WINERY

Locally Sustainable

Economic Distribution Label

Costs	Spend
Cost of Goods Sold	33.3%
Employee Wages	30.7%
Local Investment	20.8%
Adv, Promo, Donations	3.9%
Operating Expenses	1.9%
Commission incl. credit card fees	1.6%
Insurance	1.5%
Licenses	1.4%
Utilities	1.3%
Vehicle Operations	1.1%
Repairs/Maintenance	1.1%
Property Tax	0.8%
Professional Fees	0.7%

Economic Benefit Distribution

Comox Valley	79.5%	Other BC	19.5%
Other Canada	0.6%	U.S.A.	0.4%

40 Knots Winery is committed to environmentally, socially and economically viable business practices.

Sustainability is a responsibility and a mission that 40 Knots uses in all decision-making. Our vision statement is to:

- Support social programs bettering the health of community members at immediate risk
- Support environment sustainability project
- Support those making a big impact in supporting our Culture and Heritage

40 Knots supports the following organizations:

Social Sustainability:
 Rotary
 Dawn to Dawn Homes for the Homeless
 YANA – You Are Not Alone <https://www.yanacomoxvalley.com/>
 Pacific Autism Family Centre Saccomanics
 Royal Cdn Air Cadets

Environmental Sustainability:
 Project Watershed <https://projectwatershed.ca/>
 Local Hero's Environmental Award

Culture and Heritage Sustainability:
 PRISMA <http://prismafestival.com/>

The next is to apply for full biodynamic certification by [Demeter Canada](#). This is a level above organic certification and has strict requirements that companies not use synthetic fertilizers, chemical production agents, or artificial additives. In addition, they must adhere to very specific measures that strengthen the soil and foods grown to contribute to “shaping a future worth living.” For the farm, in six short years of 40 Knots’ commitment to biodynamic farming, the earthworm and ladybug counts are up, birds have returned, and the ecosystem is being restored. Plus, according to their customers, the natural wines taste better and do not cause them headaches!

The biodynamic process also means that the by-products from manufacturing wine (lees, pips and grape skins) that are filled with nutrients can be used for other purposes. Experts have indicated that beauty products made from these by-products will improve blood circulation, reduce wrinkles and revitalize skin by restoring collagen and elastic fibres in addition to clearing blemished skin, soothing the nervous system and building up the immune system.



Knowing that experts identified many benefits in using skincare products composed of these ingredients, the idea for [VinoSpa](#) was born. Launching a new product during a pandemic is not for the faint of heart. When the pandemic began and the world was being educated on the importance of washing hands as a proactive measure, 40 Knots very cleverly included a bar of VinoSpa soap to customers picking up their wine order. It was a fun and media-worthy way to introduce the product to their best customers.

2020-21 RESULTS TO DATE

"If the pandemic taught me anything, it is you have to stay relevant to realize your potential. You must constantly be studying your customer and reaching out to them, constantly adjust and be fluid."

Brenda Hetman-Craig, Co-Owner

- Hiring an experienced wine representative with strong relationships with restaurants was key in building back 75% of lost wholesale revenue.
- Increasing communications with staff and the need to come together has created a stronger team than ever.
- Introducing new products such as the Class Pass, VinoSpa, and small group events has recouped 50% of lost ancillary revenues.
- Surprising and delighting customers with the introduction of the 'Gold Standard' recognition program for 40 Knots' best customers has generated interest from non-members about the program.
- Smaller groups provided a more in-depth and engaging customer experience and resulted in higher purchase rates and a stronger customer connection with winery.
- After a difficult year, with all the changes and adaptations, 40 Knots year-end revenues were only 4% below 2019.

TIPS FROM THE COVID RECOVERY TRENCHES

"I love the focus of expanding their community focus as a way to view partnerships with non-traditional partners, incorporating green practices, etc. All their ideas seem easy to do but require much work from businesses. 40 Knots Winery shows how hard work pays off – think, plan and do it."

Eileen Lum, Tourism Manager, Northumberland Tourism

- Don't be afraid to change and invest in your business. Be open, take calculated risks, prioritize your most valued customers and find new markets.
- Tap into people's interests. While a book club may seem off-brand, customers were reading more, so why not offer a safe reading experience that includes wine and could be easily adapted to onsite or virtual depending on the evolving pandemic regulations.
- Make experiences available as gifts or gift cards. Pre-sales can help the business and will address a desire for experiences over stuff.
- Offer experiences at multiple price points. It provides consumers with choice and flexibility. If possible, build your highest profitability into the product positioned at the mid-price point as that is the one most people choose.
- Develop a relationship with your banker and keep them informed of your plans. Doing so helped 40 Knots proceed with their infrastructure investments.
- Balance the need for short-term tactical solutions and ensure they are aligned with the strategic long-term goals of your company.
- Keep your eye on the future, monitor demographic trends and consider their implications on your business. 40 Knots noted that the Gen Z segment are doing things differently than previous generations; they want to learn about the company and its products and then use that knowledge to influence the behaviours of their parents and others.



SUMMARY

“This is the best time in human history to have ever lived. So much has occurred in the last 100 years. We are at a pivotal time for the future. We must take care of the land and the people to thrive and survive” states Layne Craig. 40 Knots Winery has shown resilience through the COVID-19 pandemic. Their actions strengthened the business and have positioned them to attract new markets, capture meetings and event business through all four seasons, while remaining true to their love of the land, people and hosting guests. “And as much as long-haul tourists were very important to us, COVID-19 has strengthened our understanding of the long-term value of the local customer, the local economy and local partners” adds Brenda Hetman-Craig.

WEBSITE AND SOCIAL CHANNELS



ACKNOWLEDGEMENTS

This case study was made possible through the cooperation of:

- Brenda Hetman-Craig, Co-Owner
- Layne Craig, Co-Owner

Lead Researchers: Jane Osler, PJ Osler & Associates and Nancy Arsenault, Tourism Café Canada

Support Researcher: Lesley Anderson, Tourism Café Canada

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