

Research Articles

Paradise Ridge Winery: Can a Tragedy Strengthen a Brand?

Matthew McDermaid¹, Sandra K. Newton¹

¹ Business, Sonoma State University

Keywords: crisis resilience, wine tourism, market positioning, differentiation, opportunity analysis

<https://doi.org/10.26813/001c.22075>

Wine Business Journal

Vol. 4, Issue 2, 2020

Paradise Ridge Winery had celebrated its grand reopening of its main estate after being destroyed in the 2017 Tubbs wildfire when it was once again forced to close its doors to the COVID-19 pandemic. Rene Byck and his sister, Sonia Byck-Barwick, vice-presidents and co-owners, chose this as a time to completely reevaluate how they were going to interact with the public. They relied so much on tourism and large event hosting that they knew that they needed to capitalize on the potential opportunities present, and also create an effective strategy to navigate the uncertain future of the wine industry. They didn't know when things might return to normal, so this was the perfect opportunity to become one of the best prepared wineries; but where to focus? Do they consider adjusting the winery's prices, changing its hospitality operations, and/or investing in further digital and regional advertising? What do they need to account for before they can make any decisions?

Up until the impact of COVID-19, I felt like things were finally beginning to return to normal for Paradise Ridge. Now that tourism had completely ground to a halt, and we had been forced to close our doors to the public again, we needed to completely reevaluate how we were going to interact with the public. It was going to take some time before things returned to normal, and we had the opportunity to be one of the best prepared wineries in Sonoma County if we played our cards right.

—Rene Byck, co-owner and vice-president of Paradise Ridge Winery, April 2020¹

On a perfect afternoon in Santa Rosa, CA, in March 2020, Paradise Ridge Winery's Co-Owner and Vice President, Rene Byck, arrived at the estate tasting room to help pour wine for the second weekend of Barrel Tasting, a popular Sonoma County wine event. As Rene opened the tasting room doors, he counted nearly 60 people. The scene made him smile and reflect back on the accomplishments, born out of heartache, during the last three years. Paradise Ridge Winery had burned to the ground during the 2017 Tubbs wildfire that laid waste to the city of Santa Rosa in just a matter of hours. The Byck family had committed to rebuilding their winery, and, after two years of reconstruction, Rene, along with his father, sister, and a combination of 200 guests and reporters, celebrated Paradise Ridge's grand reopening of its main estate. The winery had been reopened for just four months when it welcomed guests for Barrel Tasting.

After an hour or so of talking with guests, Rene glanced at his phone. His screen flashed with an alert that California Governor Gavin Newsom had issued a state-wide order shutting down all winery tasting rooms to the public to mitigate the spread of the COVID-19 virus. Rene was filled with anxiety.

After he had ushered out all of the guests and closed up the tasting room, Rene realized that he and his sister, Sonia, had some critical decisions to make about the direction of the winery. Paradise Ridge, a small family winery, depended equally on both wine sales and hosting large events. Rene and Sonia brainstormed a few opportunities and options to best position Paradise Ridge and grow the brand for the new reality once California's Shelter-In-Place order was lifted. They considered:

1. adjusting the pricing of their remaining wine inventory;
2. changing their hospitality reservation system; and,
3. exploring and investing in digital and regional advertising.

As Rene walked toward his car, he knew the business could not sit idly by and ride out the storm. He wondered aloud:

What should we do to prepare ourselves for the new normal? What steps do we need to account for before we can make a decision? What else can we do to take this crisis and turn it into an opportunity for us?

¹ All quotes in this case, except where noted, are based on field interviews with Rene Byck, Sonia Byck-Barwick, and Annette McDonnell of Paradise Ridge Winery in 2020.

THE UNITED STATES WINE INDUSTRY

Wine was produced and sold in all 50 states, and, according to the 2019 *IBISWorld Industry Analysis* report, the U.S. wine industry overall earned an annual revenue of USD 25.9 billion and sold the equivalent of 3.266 billion liters of wine (Lombardo, 2019).

Production

The wine industry and the winemaking process were capital intensive. As a product, wine was classified into basic categories (white, rosé, and red), segmented into classes (sparkling, dry, and sweet), and then, further classified by region, grape variety, blend, etc. The general underlying formula for determining the unit cost of a bottle of wine included: the price of the grapes used, winemaking programs and protocols, oak usage, fermentation vessels, packaging, distribution costs, and labor. In addition to each of these components, wine pricing was further influenced by an intrinsic “value-added” cost that was determined by what customers were willing to pay for each individual brand.

Sales channels and regulatory environment

At the federal level, the U.S. Alcohol and Tobacco Tax and Trade Bureau (TTB) regulated all aspects of wine production and sales in each of the 50 states; each state government further regulated wine sales production as well. Traditionally, wine was sold in the U.S. through two main channels: directly from the winery, known as direct-to-consumer (DTC), and a distribution system that is colloquially known as the three-tier-system. Producers would in turn first sell their wine to a distributor at a discounted cost, who next would sell it to a retailer at a mark-up, who would be the point of sales for the final consumer. In 2020, there were a total of 958 wine distributors in the U.S.; however, it should be noted that the two largest distributors, Southern Glazer’s and Young’s Market/Republic National Distributing Company (RNDC), resulted in controlling over 40 percent of the market share of distributors through a joint venture (*Top 14 Wine Distributors In the USA*, n.d.).

Sales in the U.S. wine industry were also segmented into two general categories: on-premise and off-premise. On-premise sales were defined as a sale where the customer consumed the wine at the establishment where it was purchased. Off-premise sales were defined as sales where the customer consumed the wine at a different location from where it was purchased. According to the 2020 *Euromonitor International* report, the 2018 sales breakdown in the U.S. were 83.7 percent for off-premise sales and 16.3 percent for on-premise sales (Passport Euromonitor, 2019).

With the 2005 *Granholm v. Heald* Supreme Court ruling, DTC shipping laws across the nation were changed as states were directed to determine if they were going to allow wine from all states to be shipped (or none at all), all while allowing each state to further establish its own regulatory environment for winery compliance.

Exhibit 2: Concentration of Wineries, Average Bottle Price

Price Range	Count	Percentage of Market
\$1–10.99	161	2%
\$11–19.99	3124	30%
\$20–29.99	3,356	32%
\$30–39.99	1,740	17%
\$40–59.99	1,377	13%
\$60–99.99	527	5%
\$100 and Over	187	2%

Source: *Winery Statistics*. (2020, January). Wines and Vines Analytics. <https://winesvine-analytics.com/statistics/winery/>.

Competitive landscape and segmentation

According to the 2020 *Wines and Vines Analytics* report, there were over 10,472 wineries throughout the U.S.; California was home to the largest number of wineries with over 4,613 active wineries (*Winery Statistics*, 2020). Industry experts and analysts have segmented wineries into five levels depending on case size production, as shown in [Exhibit 1](#). Wine was also segmented by price range. [Exhibit 2](#) displays the concentration of U.S. wineries based upon their average bottle price point.

The U.S. wine industry was experiencing a period of premiumization, where consumers were starting to purchase more expensive wines outside of the traditional under USD 10 price point. According to the 2020 Silicon Valley Bank *State of the Wine Industry Report*, sales for wines priced between USD 15.00–19.99 grew by 8.5 percent, while sales for wines priced less than USD 10.00 had either stagnated or decreased by one percent (McMillan, 2020). The premiumization of the wine market had caused large corporate brands such as E. & J. Gallo Winery, The Wine Group, and Constellation Brands to expand their portfolios and acquire smaller wineries to accommodate consumer needs. According to the 2019 *Euromonitor International* report, E. & J. Gallo owned 24.5 percent of the wine market, while The Wine Group and Constellation Brands represented 10.9 percent and 10.6 percent of the wine market, respectively (Passport Euromonitor, 2019).

Challenges

The U.S. wine industry was facing a significant number of challenges to maintain its continual growth and success in the current 2020 economy. According to the 2020 Silicon Valley Bank *State of the Wine Industry Report*, the value of sales was predicted to decrease by up to two percent or remain stagnant at zero percent growth, and the volume of sales was predicted to decrease between one–three percent (McMillan, 2020). The main challenges facing the U.S. wine industry were an aging and changing key target population, consumer trends, and the impact of natural disasters on California winegrowing regions.

For several decades, the baby boomers (born 1946–1964) served as the largest segment of premium wine consumers, but each year as they continued to age, their purchasing

Exhibit 1: U.S. Wineries Annual Case Production, 2020

Size	Count	Percentage of Market
Large (500,000+)	72	1%
Medium (50,000–499,999)	269	3%
Small (5,000–49,999)	1,673	16%
Very Small (1,000–4,999)	3,744	36%
Limited Production (< 1000)	4,714	45%
Total	10,472	100%

Source: *Winery Statistics*. (2020, January). Wines and Vines Analytics. <https://winesvinesanalytics.com/statistics/winery/>.

habits had declined. This generational dilemma was further compounded as the industry as a whole struggled to attract the millennial generation (born 1981–1996) with the same enthusiasm as the previous generations. Unlike older generations, millennials accounted for only 17 percent of the 2019 wine consumers, while baby boomers accounted for 40 percent (McMillan, 2020). Millennials had been slow to move to wine for a variety of factors, including greater product diversity, such as craft spirits and cannabis, and the development of a preference for healthier alternatives (Chang et al., 2016).

In addition to a changing consumer base, another challenge facing the wine industry was the current oversupply of wine in the market. Both the 2018 and the 2019 harvests in the U.S. caused a significant oversupply for all aspects of the market and would take years to correct. As a result of this oversupply, both wineries and grape growers would experience a significant price reduction, which in turn would cause profit margins to decrease on all sides of the business (McMillan, 2020).

Within recent years, one of the most pressing issues that faced the California wine industry had been the increase of wildfires. Most notably, in October 2017, the Northern California wine industry suffered from one of its most deadly wildfire seasons in history. In Sonoma and Napa counties alone, the 2017 Tubbs, Atlas, and Nuns fires burnt over 100,000 acres, destroyed over 5,600 structures and caused losses estimated at USD nine billion (Gilinsky, 2020). In October 2019, Sonoma County experienced the Kincadee fire, which damaged an additional 77,758 acres and destroyed 374 buildings. The final economic impact of the Kincadee fire had yet to be calculated (Gilinsky, 2020).

PARADISE RIDGE WINERY

Paradise Ridge's story started in the late 1970s when Walter and Marijke Byck realized that they needed to purchase property in Santa Rosa, CA, to accommodate the necessary space to raise their large family of five young children. In 1978, after a more than a year of searching, Walter Byck came home one afternoon and announced to his family, "Marijke, children, I have found Paradise!" (Swindell, 2018). What Walter described as paradise was a 155-acre estate that overlooked the Russian River in Sonoma County, CA. Walter and Marijke named their new property Paradise Ranch and slowly began to plant the property with Sauvignon Blanc and Chardonnay vines. In 1994, the Bycks officially opened their winery, naming it Paradise Ridge. As



Exhibit 3: Paradise Ridge's Tasting Room Locations

Source: *Paradise Ridge*. (n.d.). Paradise Ridge. <https://www.google.com/maps/search/paradise+ridge/@38.4551247,-122.794899,10.39z>.

the winery's popularity grew, Walter and Marijke opened a branch tasting room and miniature sculpture garden in the nearby town of Kenwood. [Exhibit 3](#) provides a map of Paradise Ridge's two locations within Sonoma County, CA.

The Byck Family

Dr. Walter & Marijke Byck-Hoenselaars, president & founders

Paradise Ridge Winery was the vision of Walter and Marijke Byck-Hoenselaars and was solely owned and operated by the Byck Family. When Walter officially retired from medicine in 1997, he began to extensively focus on his other passion: supporting philanthropic efforts relating to the arts within the community. Walter facilitated this passion by developing an expansive sculpture garden on the estate that helped bolster the popularity of Paradise Ridge Winery in the Santa Rosa community and within the art world. While Walter focused on expanding his sculpture garden, Marijke served as the winery's CEO for the first twelve years. Marijke was tragically killed in a car accident in 2006, but her guiding principles still influenced the dream of Paradise Ridge. After Marijke's passing, Walter rededicated the Paradise Ridge sculpture garden in her name and continued to serve as Paradise Ridge's president.

Rene Byck & Sonia Byck-Barwick, vice-presidents and co-owners

Rene Byck and Sonia Byck-Barwick were two of Walter and Marijke's five children and oversaw the day-to-day operations of Paradise Ridge Winery. Both Rene and Sonia grew up on the Paradise Ridge estate and were Santa Rosa natives. Shortly after the winery opened, Rene changed his career path so that he could work with his family's burgeoning winery. In 2000, Rene returned to the University of San Francisco and earned an MBA from the McLaren School of Business. In addition to handling day-to-day operations, Rene managed and oversaw the media outreach and sales operations for Paradise Ridge.

Sonia Byck-Barwick, the youngest of the Byck's five children, was married to Paradise Ridge's winemaker, Dan Barwick. Sonia graduated from California State University at Sacramento and, after graduation, immediately left to travel overseas to broaden her horizons. After her return, Sonia was hired to manage the three-star Michelin restaurant, Madrona Manor Inn, located in Healdsburg, CA, just north of Paradise Ridge. In 1998, after gaining restaurant management experience, Sonia was hired as the marketing director for Blackstone Winery. On its eventual sale in 2002, she returned to Paradise Ridge to oversee the marketing and community outreach programs.

Impact of the 2017 Tubbs fire

After the first night of the Tubbs fire, Rene knew that the damage the estate sustained was catastrophic. In total, the estate lost 11 of its 13 structures, including the main estate building and winery, with an estimated loss of USD 15,000,000.

We [knew that we] had to significantly downsize our operations after the fire. We went from having more than 50 people on our staff to only 17. We stripped our staff down to a skeleton version of itself.

Despite the damage that the winery sustained both organizationally and physically, Rene knew that he and the family were committed to rebuilding the estate:

The Tuesday after we were able to set foot on the property, I remember that there was a journalist who asked me if we were going to rebuild and I was kind of shocked. Of course, we were going to rebuild! It was a just a question of how and when. Before the fires, we were already seen as somewhat of a symbol in the community and we think the fires helped solidify that. We [Sonia and I] started thinking that it was almost our duty to the community to rebuild and remain a landmark in the community.

One year after the Tubbs fire in October 2018, Paradise Ridge broke ground on its rebuilding efforts. Rene stated that they had decided to rebuild the main estate building first, and the winery later, because weddings, which were held in the main estate building, accounted for nearly half of their revenue. Rene stated that this was the best course of action and the logical thing to do. The final cost to rebuild the main estate building was USD 6,000,000. Paradise

Table 1: Paradise Ridge's Social Media Followers

Social Media Platform	Followers
Facebook	12,656
Instagram	2,993
Twitter	780
Email Mailing List	5,700

Source: Paradise Ridge's public social media profiles and internal documents, used with permission.

Ridge opened its doors to the public once again in November 2019.

Shortly after deciding to rebuild the main estate, Rene and Sonia recognized that this time was an opportunity to look for ways to strengthen and reposition their brand in the marketplace. Since the winery's inception, Paradise Ridge had sold all of the wine it had produced under the Paradise Ridge label. Rene noted:

Before we reopened Paradise Ridge's doors, Sonia and I knew that we needed to figure out what the second chapter of our story was going to be. In order to get a better understanding of how consumers viewed our brand, we decided to enlist the help of a consulting firm. The consultants showed us that our consumers first recognized us for our vineyards, the 2017 Tubbs fire, commitments to partnerships with the community, and our philanthropic efforts and, secondly, for our wine. We knew that going forward we wanted to focus our efforts on changing consumers perception of our brand by marketing our wine first and estate second. In order to rollout this new marketing plan, we planned on changing both the packaging and labels for our spring-released 2019 whites and rosé and follow suit with the fall-release red wines.

Marketing

Paradise Ridge had established its brand by using both direct and indirect marketing efforts. Rene compared Paradise Ridge's marketing strategy to the traditional small-winery marketing strategy. They utilized wine accolades and point scores to help build brand awareness, but they also used a combination of social media, the indirect results of philanthropic efforts within the community, and leveraged their increased media attention after the Tubbs fire.

- **Social Media:** Paradise Ridge used the main social media platforms: Facebook, Instagram, Twitter, and email. Between each of these four platforms, Paradise Ridge's combined reach was 22,129 followers. [Table 1](#) provides the number of followers for each platform employed.
- **Philanthropy:** Starting under the leadership of Marijke, Paradise Ridge had established an active philanthropic role within the local Sonoma County community by forming partnerships rather than providing outright donations. Most of Paradise Ridge's philanthropy involved connecting the community with the arts. One notable connection, which Walter spearheaded in 2004, was a community-wide art project known as Sculpture Sonoma. It created a space for

local artists to display their work. Another partnership was with the Voight Family Sculpture Foundation. In 2012, Paradise Ridge became the location for local artists to display their cutting-edge art for free. Rene reflected that the family had never viewed their philanthropy as a direct marketing strategy despite the fact that it had evolved into one of their best marketing platforms. It had indirectly established their brand within Sonoma County.

- **Media Attention:** Before the events of the Tubbs fire, the media attention Paradise Ridge received was a combination of press surrounding their philanthropy and awards the winery received. In 2016, Paradise Ridge received national attention when it was voted the best tasting room in California by *USA Today* (Swindell, 2018). Paradise Ridge was also voted as the best tasting room and wedding venue in Sonoma County by *The Press Democrat* in both 2016 and 2017 (Swindell, 2018). After the Tubbs fire, Paradise Ridge was thrust into the national spotlight. Rene noted:

The message and response that Sonia and I gave was simple and powerful: we would rebuild. By being open and honest with the media from the start, we became a symbol of strength and resilience in the community. Our story was that of the community, and as a result, the community was standing behind us and rooting for us to rebuild.

Target market

Paradise Ridge strived to offer its consumers high-quality wines with a connective experience that tied the consumer to the brand. Rene described Paradise Ridge's target market:

Since my parents first opened the winery, we never closed the door on any one consumer segment. We tried to open our doors to be able to meet the needs of tourists, art enthusiasts, locals, serious wine consumers, or the couple looking for the perfect wine country wedding. What was apparent at the time was that we were looking for our consumer base to be anyone who was willing to buy into the sense of community we were building here.

Between their two tasting room operations, Paradise Ridge had developed the ability to accommodate the needs of any interested wine tourists. Paradise Ridge's main estate focused on tourists and consumers interested in a more intimate experience between the winery's art, wine, and natural setting, while the satellite tasting room accommodated the needs of consumers looking for something new or for something that was conveniently located on the Highway 12 wine trail. Paradise Ridge's consumers were predominantly older baby boomers, which caused Rene to worry:

Most of our wine club and long-time consumer base is getting older which means that we need to start making plans to shift our priorities to younger customers. Boomers are our bedrock, but we do not know how much longer we can rely on them.

Rene further acknowledged that the winery was going to need to shift its target market—attracting more millennials was one market under consideration. Rene reflected:

Before the Tubbs fire, we were starting to see a noticeable increase in the number of millennials from the San Francisco Bay Area. When we reopened our doors, I wanted to focus our efforts on attracting them. Millennials were experience-seeking consumers, starting to get married, moving up in their careers, and earning more disposable income to spend.

Competition

Paradise Ridge was one of Sonoma County's 425 active wineries and faced direct competition from its neighbors in the Santa Rosa and Kenwood districts (*Wineries & Wine*, n.d.). Between its two tasting room locations, Paradise Ridge faced less outright competition at its Santa Rosa estate and greater competition at its Kenwood satellite tasting room.

The Santa Rosa location provided both a full immersive outdoor and intimate tasting experience in addition to acting as an outdoor wedding and/or event venue. Rene described the strengths of the estate tasting room as:

We offered something that no other winery within the Santa Rosa city limits could: both a beautiful setting and an event venue that had a noise permit that went into the night. There was just something unique about being able to stay within the city limits of Santa Rosa and be immediately transported to what felt like a winery that was located at the end of a long dusty road.

After the Tubbs fire, Paradise Ridge's Kenwood satellite tasting room became the winery's main source of wine sales. And, while it was located along the Highway 12 wine trail, it was also only a short distance from 16 other tasting rooms. [Exhibit 4](#) provides a map of Paradise Ridge's location in relation to each of its competitors. Annette McDonnell, the Kenwood tasting room manager, described Paradise Ridge's competitive environment in Kenwood as:

There was such a diversity of quality wine across the tasting rooms here, so we weren't trying to compete with anyone on wine quality alone. Currently, we were the only winery along the Highway-12 stretch that was not advertising wine scores on the side of our building. Instead of advertising our point scores, we promoted our tasting experiences. When the main estate was being rebuilt and the Kenwood tasting room became our only tasting room, we saw that advertising our experiences helped drive in customers that may have otherwise walked by our tasting room for one of our neighbors.

Despite the setbacks that both the Tubbs fire and COVID-19 had created for Paradise Ridge, Rene noted that he was not worried about competitors taking away wine sales or business. He was concerned with the duration of the mandated winery closings. One added benefit for the main estate was that Marijke's garden was still able to remain open to the public during COVID-19 shutdowns.



Exhibit 4: Highway 12 Tasting Rooms

Source: <https://bestinsonoma.com/sonoma-valley-wine-map/>.

Mission statement and values

Paradise Ridge’s mission statement was “to create wines and settings that bring pleasure to food and friends, support our belief in the values of human connection, and transform the experience into a memorable story.” Rene elaborated:

What we were trying provide for guests was a moment of respite from their concerns and to be able to find themselves a version of Paradise like what my dad found over 40 years ago. My dad thought the ingredients for Paradise were love, art, wine, and community, and at Paradise Ridge, we strived to embody each of those four ingredients. We were not just another winery; we were a community and a setting that helped transform an ordinary experience into a lifelong memory that consumers wanted to buy into.

Since its inception in 1994, the winery had centered its core values on community, the arts, and philanthropy. Rene stated that under his mom’s leadership, giving back to the community was a part of the winery’s DNA. Marijke’s philosophy had translated into all facets of the winery’s operations and culture. In addition to her influence in community involvement, Marijke’s personality established the precedence for exemplifying a high degree of authentic and genuine customer service for each guest that entered the winery. In addition, Paradise Ridge had committed to including the community in the events. Whenever the winery was tasked with hosting an event, the winery prioritized working with local producers or organizations to keep the business and revenue within the community. Paradise Ridge’s philosophy toward authenticity and community had led the winery to stress the importance of its events and settings rather than focusing on accolades for wine quality.

Winery operations

With the reopening of the main estate, the winery had started to slowly rebuild its workforce to the level it employed before the 2017 fires. Paradise Ridge also reorganized its structure, and its operations were now divided into three different areas: winegrowing and production, wine sales and marketing, and events and venue hosting. At the

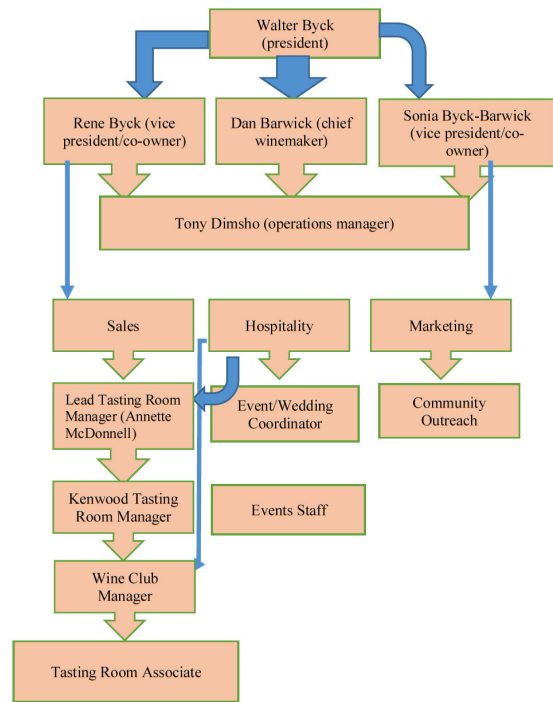


Exhibit 5: Paradise Ridge Current Organizational Chart

Source: Prepared by author.

main estate, they had hired a new hospitality manager, new tasting room manager, and tasting room staff. See [Exhibit 5](#) for the organizational chart of Paradise Ridge. Rene noted that one of the most of challenging aspects of Paradise Ridge now was how new most of the organization was:

Right now, around 70 percent of our staff had been here for less than a year. This had caused issues because we tried to hire from the top down and encouraged our managers to hire people who they can best work with. This had caused some communication issues during our rebranding efforts.

Wine production and supply chain

Under the stewardship of winemaker, Dan Barwick, Paradise Ridge produced an annual case production ranging between 9,000 and 10,000 cases. The winery’s estate vineyards were located on the property in the Russian River American Viticultural Area (AVA) of Sonoma County and accounted for 15.5 acres of the estate’s total 156 acres. The estate vineyards were comprised of several different varieties: Chardonnay, Sauvignon Blanc, Grenache, Merlot, Petite Sirah, Pinot Noir, Syrah, and Zinfandel. When Paradise Ridge had to go outside of its own estate vineyards to source additional fruit, it chose from surrounding Sonoma County vineyards in the Russian River and Rockpile AVA’s. In early 2020, the winery produced wines in each of three generic styles: sparkling, dry table wine, and dessert.

Paradise Ridge had been using sustainable viticulture practices for over 30 years, and the estate vineyards were officially certified as “sustainable” in 2016 by the California Sustainable Winegrowing Alliance. Paradise Ridge’s focus was also about conserving resources and minimizing their

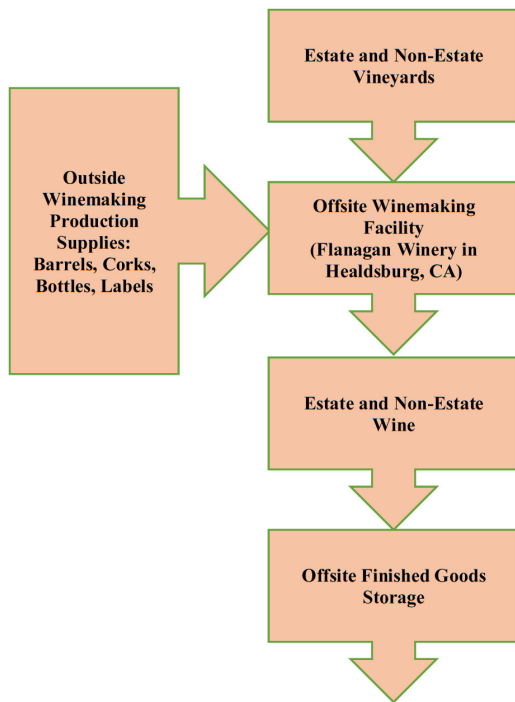


Exhibit 6: Paradise Ridge's Supply Chain

Source: Prepared by author.

impact on the surrounding environment. They had used a number of technologies that helped reduce water usage and conserved an estimated 78,000 gallons of water annually (*Sustainable Paradise*, 2017).

Prior to the Tubbs fire, Paradise Ridge made all its wine on the estate property; after the wines were bottled, the case goods were moved to an offsite storage warehouse. This offsite storage practice helped minimize the losses from the Tubbs fire. Rene noted:

When the fires burnt down the winery, we only lost a few of our 2016 reds that were still in the barrel and some of the 2017 harvest. If we lost all of our inventory, we would have lost any ability to generate revenue.

In the immediate aftermath of the Tubbs fire, Paradise Ridge moved their winemaking operations to Flanagan Winery in Healdsburg, CA, and completed the remainder of its 2017 harvest. Rene noted the partnership with Flanagan Winery was incredibly valuable, and thus its immediate plans for rebuilding the estate winery were not crucial. [Exhibit 6](#) shows the current diagram of Paradise Ridge's supply chain.

Wine sales

Paradise Ridge was a smaller winery that did not have a large foothold within the national marketplace. Paradise Ridge sold 85 percent of its wine through the DTC channel and the remaining 15 percent through the three-tiered system. Paradise Ridge offered a variety of wines to consumers that ranged from USD 26–80. [Exhibit 7](#) shows a complete list of the wines available for purchase directly from the winery. Paradise Ridge employed three main channels to sell its wines directly to the consumer: tasting-room sales,

e-commerce (via its website at <https://prwinery.com/>), and wine club shipments. While sales through each of these channels had changed considerably over time, their wine club continued to be its most valuable asset. The wine club quarterly shipments were not only a guaranteed cash flow for Paradise Ridge, but also one of their best marketing tools—they were walking brand ambassadors to their friends and family. Rene noted:

Ever since our e-commerce and DTC shipping had been taking off, we had seen that sales through the tasting rooms had diminished. What seemed to be happening was that people were visiting our tasting room and deciding to buy wine once they were home where there was less pressure.

Paradise Ridge offered three different wine club levels that corresponded to the number of bottles of wines shipped each quarter: Classic, Aficionado, and Elysium. The description of the allocation and benefits of each level are shown in [Exhibit 8](#). Rene described the state of Paradise Ridge's wine club:

We had 1,093 active members and 90 members that were on hold. When our club members were thinking about giving up membership, we gave them the option to put their membership on hold. For the past few years, our total membership had peaked around 1,200 members.

Tasting rooms

Paradise Ridge operated two tasting rooms: the main estate tasting room and the Kenwood satellite tasting room, where the customers might have wanted a less time-consuming and more typical wine road experience. While each tasting room provided customers with the traditional wine flight tasting experience, Rene noted that the main estate tasting room was focused on providing a more curated and intimate experience for its tasters. A sample of the different experiences offered at the main estate tasting room is provided at [Exhibit 9](#). Rene explained the importance of providing different experiences:

For the past couple of years, we had noticed that when people came to taste, it wasn't nearly as much about the wine. Customers wanted to have an experience that was truly memorable and they were willing to pay any price for something if it met or surpassed their expectations. If we offered them something that was truly memorable, they would want to buy wine to bring that experience home with them and maybe even join the wine club.

Weddings and events

Unlike many of its other competitors, Paradise Ridge generated nearly half of its revenue every year through hosting events and weddings. Since its inception, Paradise Ridge had hosted over 1,000 weddings and events. After the 2017 fires, Rene stated that it was imperative to rebuild the event center before the winery because of the cash flow the business received from weddings and other events. Once the new construction of the main estate was completed, Par-

Exhibit 7: Current List of Wines for Purchase

Vintage	Wine	AVA	Price
2014	Blanc de Blanc	Russian River	\$44
2013	Late Disgorged Blanc de Blanc	Russian River	\$55
2014	Sparkling Shiraz	Russian River	\$52
2018	Sauvignon Blanc- Vineyard Select	Russian River	\$28
2018	Brides' Blush Rose	Sonoma County	\$26
2018	Grenache Blanc	Rockpile	Wine Club Only
2016	Chardonnay- Nagasawa Vineyard	Russian River	\$44
2016	Pinot Noir- Walters Vineyard	Russian River	\$54
2016	Pinot Noir- Vineyard Selection	Russian River	\$65
2014	Merlot- Foppiano Vineyard	Russian River	\$38
2014	Zinfandel "The Convict"	Rockpile	\$48
2014	"The Bounty" Red Blend	Russian River	\$42
2014	Cabernet Sauvignon- Barrel Select	Rockpile	Wine Club Only
2015	Cabernet Sauvignon- Barrel Select	Rockpile	Wine Club Only
2015	Petit Sirah- Branham Vineyard	Rockpile	Wine Club Only
2016	"The Confessor" Red Blend	Rockpile	Wine Club Only
2013	Late Harvest Sauvignon Blanc	Russian River	\$37

Source: Company website (<https://shop.prwinery.com/Wine-Shop>) used with permission.

Exhibit 8: Wine Club Membership Benefits**No Membership Fees.**

- First options on our limited release wines, library wines, and exclusive access to club only wines.
- Special shipping offers for those members who live far away.
- Four times each year, members receive a superb shipment of winemaker's selections or club exclusive wines. With each club offering the winery hosts a complimentary Release Event.
- Receive a personal invitation to our annual MEMBERS celebration, four fun release events & our Wine Club Exclusive Wines & Sunsets.
- Advance notice & discounts for events hosted by Paradise Ridge.
- Complimentary Tasting for four at both our Santa Rosa Estate (when it re-opens) or our Kenwood Tasting Room & Art Gallery. (\$80 value each time)
- Special pricing on Wine & Herb Sensory Experience
- Your membership level savings on all purchases of Paradise regularly priced wines and a 15% savings on all regularly priced merchandise.
- Picnics in Paradise—(Summer Only) complimentary reserved tables by advance reservation. Call 707-528-9463 or email stacey@prwinery.com.
- Refer a Friend who joins our club and receive \$20 in your club account.
- Enclosed with each shipment is an informative winery newsletter.
- Available on the Wine Club Page of our website are winemaker's notes by our very own Dan Barwick.

Classic Wine Club

- Receive 3 bottles (winemaker's selection) at a 25% savings, 4 times a year and all benefits above

Aficionado Wine Club

- Enjoy fantastic 6 bottles (either winemaker's selection or custom) at a 25% savings, 4 times a year plus all benefits above

Elysium Wine Club

- Savor wonderful 12 bottles shipments (preselected or customized) at a 30% savings, 4 times a year plus all benefits above and also many higher-level benefit

Source: Paradise Ridge website: <https://shop.prwinery.com/Wine-Shop/Current-Releases>.

Paradise Ridge was able to expand the winery's event hosting capabilities. It was now hosting events and accepting future reservations that held up to 250 people in attendance for both indoor and outdoor events. Fees for these events ranged between USD 10,000–12,000 per six-hour usage and included wine and food.

FUTURE OPPORTUNITIES

With Paradise Ridge's doors closed again, this time because of COVID-19, Rene and Sonia considered several opportunities that might help them best position the winery once they could reopen. During the reconstruction, they had decided on the new label and packaging for their wines, now they considered adjusting the pricing of their remaining wine inventory, changing their hospitality reservation

Exhibit 9: Paradise Ridge Tasting Room Experiences

Self-Guided Vineyard Adventure: Paradise Ridge features a self-guided tour of our estate vineyards. Enjoy learning about sustainability, soils, trellising, pruning, and the numerous ways Paradise Ridge enhances wines in the vineyard. The vineyard adventure is approximately .45-mile long and is rated easy difficulty. After your vineyard tour, head up to the tasting room to enjoy your seated tasting.

Group Tastings & Vineyard Adventures: Create your own wine country experience by booking one of our unique tastings or Cheese, Charcuterie, & Herb pairing designed by Food and Wine Specialist Annette McDonnell, featuring local Sonoma County Makers.

We are delighted to offer you the following for eight or more guests with advance reservations:

Private Seated Group Tasting: 8–25 Guests. Sip & savor a selection of our wines, while enjoying panoramic views overlooking the Russian River Valley. Taste & learn about our exclusive, reserve, and award-winning wines, and what makes our vineyard-designated selections distinctive to the regions where the grapes are grown. Learn the history of Paradise Ridge Winery, a small winery owned & operated by the Byck Family since 1978. This tasting includes a private setting & personal host. Tasting Fee: **\$65 per person**

For Reservations, please contact our Estate Manager Annette McDonnell at reservations@prwinery.com.

Private Casual Group Tasting: 8–25 Guests. Paradise Family Tasting – This family-style wine tasting encourages guests to explore three expressive Paradise Ridge wines. Enjoy handcrafted wines paired with the magic of connective experiences. Tasting Fee: **\$45.00 per person**

For Reservations, please contact our Estate Manager Annette McDonnell at reservations@prwinery.com.

Private Group Tasting: Sip & savor a selection of our wines, while enjoying panoramic views overlooking the Russian River Valley. Taste & learn about our exclusive, reserve, and award-winning wines, and what makes our vineyard-designated selections distinctive to the regions where the grapes are grown. Learn the history of Paradise Ridge Winery, a small winery owned & operated by the Byck Family since 1978. This tasting includes a private setting & personal host. Tasting Fee: **\$30 per person**

Contact Rene Byck at rene@prwinery.com.

Source: *Tours*. (2014, May 2). Paradise Ridge Winery. <https://prwinery.com/visit-us/toursandtastings/>, used with permission.

system, and exploring and investing in digital and regional advertising.

Adjusting pricing on remaining inventory

In order to help increase their short-term sales, Rene was considering reducing prices on their remaining inventory before they released the new label:

With our tasting rooms closed and the uncertainty of the economy, I thought about reducing the prices on our remaining wines in the market. We had not been able to bottle 2019 whites and rosé in addition to some red vintages because of COVID-19, but we did have bottlings scheduled for May and June. Another reason why we thought about lowering our prices was to ensure that we were not pricing out any of our customers. We also needed to try to be conscious of everyone's struggle with how COVID-19 might affect them financially. I knew that as long as we could keep our wine prices accessible then our customers would continue to support us.

Changing the hospitality reservation system

After Governor Newsom shut down all tasting room operations and large events in California, Rene and Sonia considered restructuring Paradise Ridge's two main hospitality operations: the tasting room and event hosting. Rene explained:

Going forward we were going to have to change both of our tasting rooms' policies to be "by appointment only." This way we would be able to control the number of people coming to the winery each day, which allowed us to keep both our guests and employees safe. At the main estate, I thought we were going to still be able to see many groups because we had the space to keep them separated in various parts of the property. This would allow guests the ability to experience pairing wine with art and nature while still being safe. If we could give guests the confidence to be safe while visiting, then we would be one of the first wineries they would visit when they chose to go out in public again.

Rene had considered both an in-house reservation system and an online reservation service, such as Tock. Tock was a reservation application (app) that people might have already had on their mobile phone for making reservations at restaurants, wineries, and bars around the world. In addition to acting as a reservation platform, Tock had partnered with WineDirect (a winery-based DTC solutions company) to supply users with greater access to customer insight information. Furthermore, Tock was a relatively low-cost platform and presented wineries with two different cost structures: Tock Plus and Tock Pro. Tock Plus presented wineries with a monthly fee of USD 199 and an additional two percent fee on prepaid reservations; Tock Pro presented wineries with a simple monthly fee of USD 699 without any additional fees (*Reservations for Wineries*, n.d.). Rene noted:

I'd love to use a program such as Tock rather than OpenTable or developing our own internal software be-

cause of all of the features that Tock had integrated within it and the number of wineries that already use it. Additionally, using a program like Tock would allow us to integrate both our event management and reservation software under one umbrella. With the ease of access to customer insight information and the ability to receive tasting fees upfront, partnering with Tock made sense and would allow us to spend more time on creating a memorable experience and engaging with our customers rather than worrying about making a sale.

In addition to restructuring its tasting room experiences, Rene explained the importance for Paradise Ridge to re-adjust its events and wedding hosting operations and pricing:

It was going to be a long time before people were both allowed to host and be confident in hosting large gatherings. I thought that in the interim, we were going to shift our focus to promoting our space for micro-weddings and events. By downsizing our events and reducing the overall cost, we would be able to continue to best use our space and provide clients with the opportunity to create the event they wanted to host during the pandemic.

Exploring and investing in digital and regional marketing

After working with Revel, the local brand design firm in Healdsburg, CA, Rene and Sonia recognized that Paradise Ridge needed to expand its marketing and brand efforts outside of the immediate Sonoma County region. Rene recalled:

Once COVID-19 shut down tourism and tasting rooms, people were not going to come to us to find Paradise Ridge. If we wanted to tell our story, we were going to have to figure out a way to bring Paradise Ridge to them.

Rene and Sonia had explored two different options for increasing their digital and regional marketing. The first option considered was starting to submit their wine to major wine publications such as the *Wine Spectator*, *Decanter*, and *Wine Enthusiast* to promote their wine quality and expand their brand recognition with avid wine consumers. They also considered regional marketing campaigns and messages to help increase awareness of Paradise Ridge in regions where their wine was sold. The second option considered was investing in digital advertising in different publication mediums, such as bridal magazines and travel guides. Rene explained:

Since we had been open, we had been lucky to develop strong relationships with the media and they had helped tell our story, but now I thought it was time for us to start expanding our breadth. Until now, we had used the wine media to promote the story of our estate, but I wanted to start telling the story of our wine. I thought that once someone learned about us and our story then they were going to want to come out to Sonoma and visit us and [hopefully] buy our wines. I wanted to make sure that we could tell our story to everyone out there who was willing to learn about it.

DECISION TIME

Rene felt that he and Sonia had already overcome a seemingly larger challenge by simply reopening their doors to the public after the Tubbs fire and subsequent rebuild of their winery. Despite the uncertain challenges that COVID-19 presented for the winery, Rene knew that they were financially prepared to survive even without any tourists and events (see [Exhibit 10](#) for Paradise Ridge's balance sheet and [Exhibit 11](#) for Paradise Ridge's income statement).

With Rene's all-too-familiar awareness that crisis can lead to opportunities, he assessed the strategies they could implement to reposition and strengthen their brand until their reopening:

1. adjust prices on remaining inventory to help increase sales to move through the current inventory,
2. change the tasting room and hospitality model; and/or,
3. invest in increased digital and regional marketing and advertising.

As Rene locked the front doors to Paradise Ridge Winery, he knew that no matter what was going to happen, Paradise Ridge was prepared to face it. Rene felt a sense of calm about their immediate future, and mused, "what's next?".

Submitted: September 14, 2020 PDT, Accepted: December 02, 2020 PDT

Exhibit 10: Paradise Ridge Balance Sheet, 2016–2019 (as of 12/31/2019)

ASSETS	2016	2017	2018	2019
Current Assets				
Cash	\$22	\$13	\$1.67	\$3.33
Accounts Receivable	67	92	275	325
Inventory	1083	730	1501	1684
Prepaid & Other Expenses	21	42	53	54
Total Current Assets	1193	877	1831	2066
Property, Plant & Equipment	2542	1845*	1783*	3540*
Less: Accumulated Depreciation & Amort	525	373*	607	1992
Net Property, Plant & Equipment	2017	1472*	1176*	1548*
Other Assets	25	29	17	18
Total Assets	\$3,235	\$2,378*	\$3,024*	\$3,632*
Liabilities & Stockholder's Equity				
Current Liabilities				
Notes Payable	\$525	\$333*	404*	\$600*
Accounts Payable & Accruals	435	162	286	358
Current Portion of Long-Term Debt	90	160	148	158
Total Current Liabilities	1050	655*	838*	1117*
Long Term Debt	839	700*	800*	900*
Total Liabilities	1889	1355*	1638*	2017*
Shareholder Equity	1346	1023*	1386*	1615*
Total Liabilities & Shareholder Equity	\$3,235	\$2,378*	\$3,024*	\$3,632*

Source: Prepared by author based upon wine industry financials provided by Dr. Armand Gilinsky and modified by information gained from interviews with Paradise Ridge. All entries marked with an "*" have been modified to better represent Paradise Ridge's situation.

Exhibit 11: Paradise Ridge Income Statement, 2016-2019 (Statement Ending on Dec. 31, 2019)

FY 12/31	2016	2017	2018	2019
<i>All wine in the 000's</i>				
Cases Sold	8,167	9,000	6,235	7,200
Sales	\$2,806.16	\$2,845.70	\$1,842.75*	\$1,963.20*
Cost of Goods Sold	\$1,352.00	\$1,256.00	\$924.33	\$968.70
Gross Profit	\$1,454.00	\$1,589.70	\$918.42*	\$994.50
Operating Expenses				
Sales and Marketing	\$463.00	\$469.17	\$475.50	\$500.17
General & Administrative	\$400.00	\$416.67	\$479.67	\$483.84
Total Operating Expenses	\$863.00	\$885.84	\$955.17	\$984.01
Operating Income	\$591.00	\$703.86	-\$36.75	\$10.49
Interest Expenses	\$105.00	\$178.83	\$436.67	\$462.67
Earnings Before Taxes	\$486.16	\$525.03	-\$473.42	-\$452.18
Add Back: Depreciation & Amortization	\$112.50	\$150.00	\$208.33	\$183.33
Pre-Tax Cash Flow	\$598.66	\$675.03	-\$265.09*	-\$268.85*

Source: Prepared by author based upon wine industry financials provided by Dr. Armand Gilinsky and modified by information gained from interviews with Paradise Ridge. All entries marked with an "*" have been modified to better represent Paradise Ridge's situation.



This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CCBY-4.0). View this license's legal deed at <http://creativecommons.org/licenses/by/4.0> and legal code at <http://creativecommons.org/licenses/by/4.0/legalcode> for more information.

References

- Chang, K. J., Thach, L. M. W., & Olsen, J. (2016). Wine and health perceptions: Exploring the impact of gender, age and ethnicity on consumer perceptions of wine and health. *Wine Economics and Policy*, 5(2), 105–113. <https://doi.org/10.1016/j.wep.2016.09.001>
- Gilinsky, A., Jr. (2020). Are US Wineries Prepared for the Next 'Black Swan' Event? In S. Forbes, T. A. De Silva, & A. Gilinsky Jr. (Eds.), *Social Sustainability in the Global Wine Industry* (pp. 37–56). Palgrave Pivot. https://doi.org/10.1007/978-3-030-30413-3_4
- Lombardo, C. (2019, December). US Industry Report. *IBISWorld*. <https://my-ibisworld-com.sonomaidm.oclc.org/us/en/industry/31213/key-statistics>
- McMillan, R. (2020). *2020 SVB Wine Report*. Silicon Valley Bank. <https://www.svb.com/wine-report>
- Passport Euromonitor. (2019, July). *Country Report*. Portal Euromonitor-Country Report. <https://www-portal-euromonitor-com.sonomaidm.oclc.org/portal/statisticsevolution/index>
- Reservations for wineries*. (n.d.). Tock | Reservations for Wineries. Retrieved November 10, 2020, from https://www.exploretock.com/join/wineries?utm_content=percent2F
- Sustainable Paradise*. (2017, September 13). Sustainable Paradise | Paradise Ridge Winery. <http://prwinery.com/our-story/sustainable-paradise/>
- Swindell, B. (2018, October 25). Paradise Ridge Winery Starts to Rebuild from the Ashes. *The Press Democrat*. <https://www.pressdemocrat.com/business/8864187-181/paradise-ridge-winery-takes-first>
- Top 14 Wine Distributors In the USA*. (n.d.). USA Wine Ratings. Retrieved April 15, 2020, from <https://usawineratings.com/en/blog/insights-1/top-14-wine-distributors-in-the-usa-49.htm>
- Wineries & Wine*. (n.d.). Sonoma Wineries & Wine | SonomaCounty.com. Retrieved April 23, 2020, from <https://www.sonomacounty.com/activities/wineries-wine>
- Winery Statistics*. (2020, January). Statistics - Wines and Vines Analytics | winesvinesanalytics.com. <https://winesvinesanalytics.com/statistics/winery/>