



Napa's wine and hospitality industry

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In Napa County, the wine and tourism industries go hand in hand and form a critical part of the local economy. These sectors, like many others across the country, went into a deep freeze in the fall of 2008, when the U.S. economy quickly descended into a recession.

Today, thankfully, these sectors are experiencing a thaw. But the rules have changed and are continuing to change, according to local experts.

Recently, the Register editorial board met with four businesspeople in the valley in our third economic roundtable since the market meltdown. This meeting included **Brian Kelly, president of Charter Oak Bank, financial planner Tom Mills** and two people with a strong background in hospitality and wine: **Sean Dempsey, a 20-year veteran of Napa Valley's finest resorts and today the assistant general manager at the Meritage Resort; and Deborah Steinthal, a founder of Scion Advisors, a business consultancy that specializes in the wine sector.**

Both were fairly upbeat about the last few months and the prospects for a full recovery. Dempsey said his resort is seeing 70-to-80 percent occupancy this summer, a very healthy figure. At the time of the fall fall-off, Dempsey said, it felt like the chill that hit the travel economy after the 9/11 attacks. "The faucet just turned off," he said. Corporate business and retreats simply vanished.

In recent months, that business has begun to come back, said Dempsey. He also said local inns and resorts have been buoyed by the stay-cation set, with visitors from Sacramento and the Bay Area choosing the convenience of the Napa Valley over more exotic and expensive-to-reach destinations. At the same time, he said, consumers are driving hard bargains and seeking value-added vacation packages, with spa treatments and other goodies thrown in. That, said Dempsey, is how he figures it is going to be for awhile.

Asked if Napa's on-going push for new hotels has hurt business, he said he saw it both ways. On the one hand, more rooms on the market drive down margins and occupancy for resorts. On the other hand, he said, "Every year we think we're saturating the market (with more hotel rooms), but every year we continue to fill them."

Steinthal said shockwaves are moving through the wine industry, not all caused by the recession. Consolidation among wine distributors is having an adverse effect on segments of the industry, especially the family-owned, premium-wine market that is the hallmark of the valley and the region. "Napa definitely has a reason to be concerned," she said.

Steinthal said that she expects to see many "hobbyists," 1,000- or 2,000-case operations launched without a sophisticated distribution and marketing plan, "go away." The benefit of the current climate goes to the larger manufacturers with the least amount of debt, the deepest ties to distributors and a product line that includes lower-priced wines.

Steinthal and Dempsey spoke promisingly of the market generated by online social networking. Posting a weekend rate or fixed-price menu on a Web site or Twitter can bring in weekend visitors, said Dempsey. Steinthal noted that wine aficionados who maintain their own Web sites or blogs are increasingly influential, and that the savvy wineries that have dynamic Web presences are finding them valuable for reaching new customers.

While Steinthal sees the tide going out on some in the industry, she emphasized that "wine consumption has become mainstream" for Americans.

The largest players and those who are creative in addressing the new distribution and marketing realities will come out of this in a better position. Said Steinthal, "The strong will get stronger."