WINE ANALYTICS REPORT

Buying Online, Drinking at Home

August 2020

US Wine Sales -2%	Off-Premise +9%	DTC Shipments +12%	Winery Jobs -23%

[12 month change]
How Americans purchase and consume wine has changed dramatically in the ongoing COVID-19 pandemic. Deep losses in the on-premise sector, persistent economic uncertainty and increases in online purchasing and homebound consumption appear likely to bring long-lasting changes to the U.S. wine market.

On-Premise Still Weak as Spending Shifts

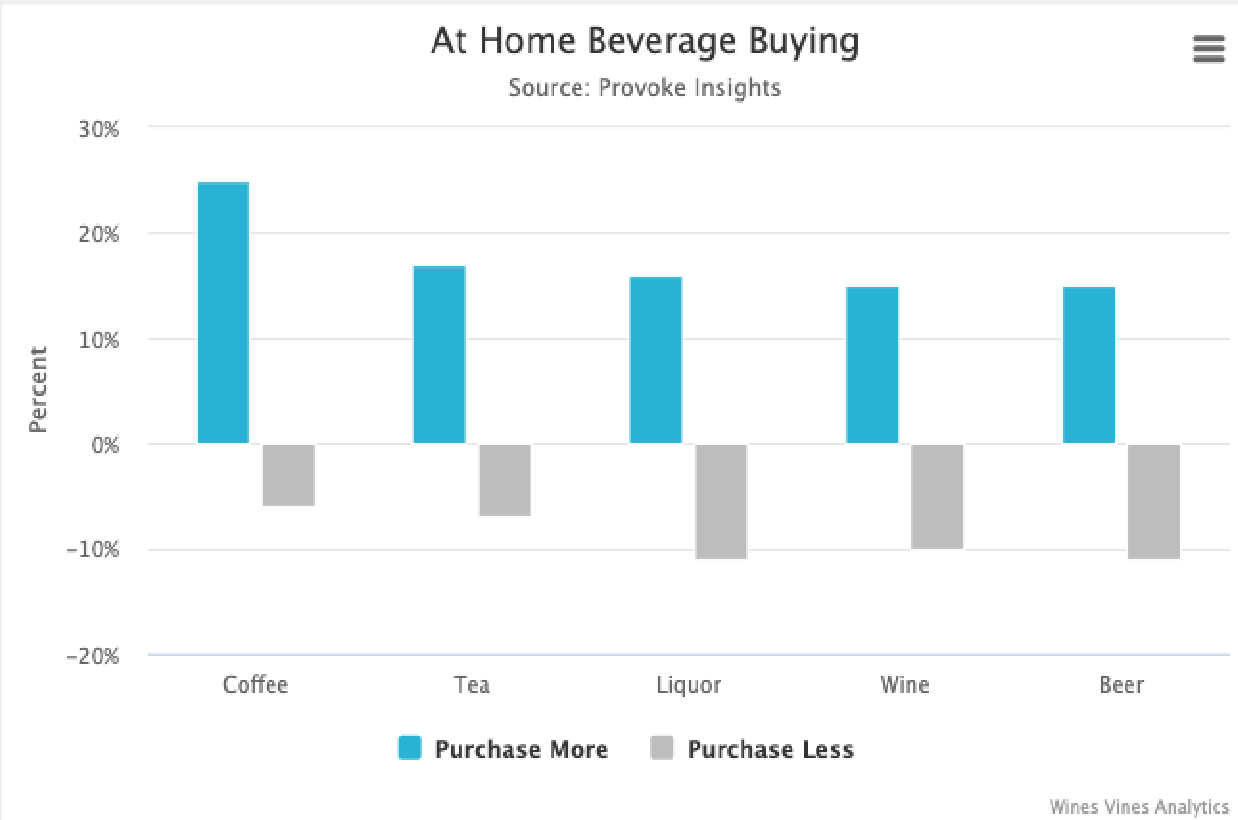
Restaurants in Sonoma, Calif., have opened temporary spaces — some with full bars — in the city's historic central Plaza to offer outdoor dining.

When restrictions on public gatherings came into place five months ago, closing down restaurants, tasting rooms and event spaces, many observers noted that it takes six to eight weeks to give the new ways of interacting the force of habit. Two months later, the lockdowns began lifting and social life began adjusting to what passed for the new normal.

> Consumption trends continue to shift.
>
> DtC and e-commerce show strong growth.
>
> Repeat orders indicate a sustained shift in buying habits.
>
> Economic headwinds favor mid-range price segments.

The dramatic increases in COVID-19 cases since then have triggered a second wave of restrictions, lighter than the first but no less challenging for tasting rooms and bars. Demand for wine at off-premise locations remains strong, but growth has moderated. Perhaps the biggest questions for wineries as another harvest begins is how demand will evolve if lawmakers don't extend benefit programs and if ongoing concern about COVID-19 limits socializing this winter.

"Uncertain future needs has been the biggest issue of buyers. Wineries are trying to understand what the new normal is," said Johnny Leonardo, a broker with Ciatti Co. in Novato, Calif., in a webinar on market conditions earlier this month. "We have no idea what the off-premise surge is going to look like here in two months, three months, six months down the road, and we don't have an idea of exactly when on-premise will fully open and what the response to that on-premise opening will be."



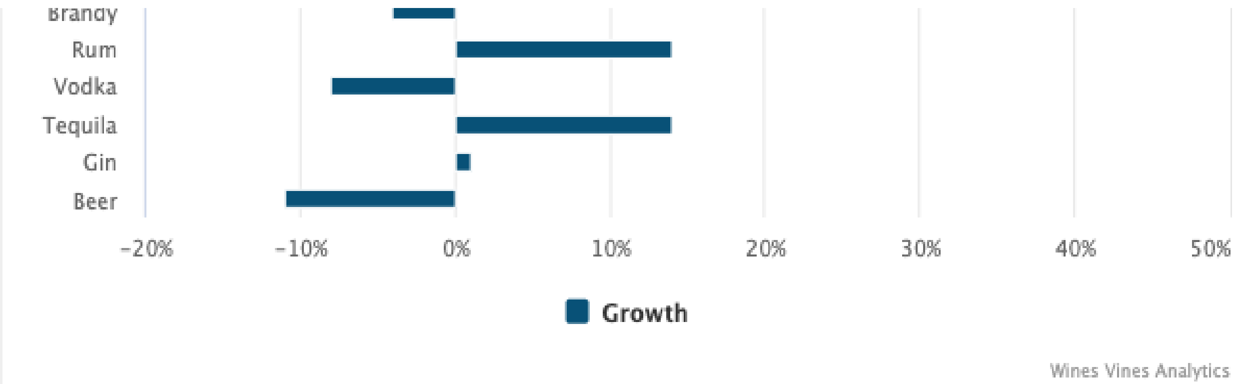
End of interactive chart.

According to a survey by Provoke Insights, more consumers expected they'd continue to buy more wine and other beverages for at home consumption in the near future than those who thought they'd buy less.

End of interactive chart.
The same survey also found those consumers had been buying more wine and other beverages online in the past three months yet didn't expect to be buying as much six months into the future. The survey, conducted in June, may have reflected an eagerness for a return to normal as the top activity respondents said they wanted to get back to was visiting bars and restaurants.
Projections developed by bw166 indicate tough times through 2021, with the direct-to-consumer and on-premise markets especially challenged. While off-premise sales and DtC shipments have benefitted during the pandemic, activity will pull back next year while on-premise and tasting room sales struggle to recover. The total U.S. wine market, which was worth $75.1 billion in 2019, isn't expected to surpass that figure until 2022.

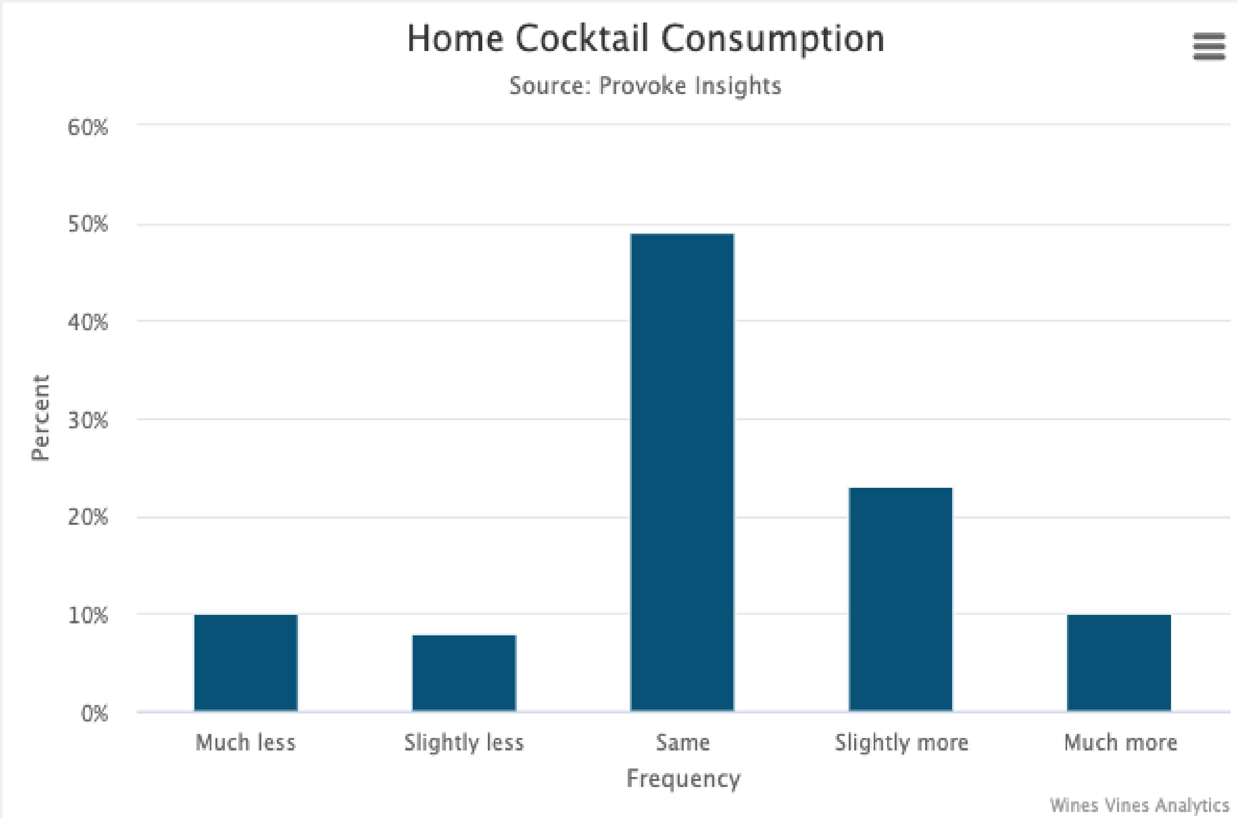
Drilling down into specific segments of data, the moderating growth seen in Nielsen off-premise data indicate a return to more normal purchasing patterns. While growth has scaled back, it's doing so from a relatively high base. It also indicates a shift from the panic buying seen in March and April. Stability is a good thing, and it also reflects the return of consumers to on-premise consumption.

The downside, however, is that wine has been a relatively minor beneficiary of consumers' return to bars and restaurants. An analysis of sales data from Texas by bw166 indicates that when consumers returned to on-premise establishments, they were showing a preference for beer and spirits. Conversely, off-premise data from Nielsen indicates that sales growth for these beverages has remained strong while wine sales have pulled back. Meanwhile, the ongoing closure of many full-service restaurants continues to hit on-premise wine consumption hard. Data by the website wine-searcher.com also reveal a high level of interest among U.S. consumers for spirits in general led by whisky in particular.



End of interactive chart.
Data provided by wine-searcher.com indicate what U.S. consumers have been searching for online during part of the pandemic. This chart shows the difference in searches between July 2019 and July 2020, with consumers showing a clear interest in whiskey. Traffic for spirits in general more than doubled the increase for all wine searches.

End of interactive chart.
The average “click price” is based on the product prices listed by retailers on wine-searcher.com. Consumers searching for wines on the site appear to have gone for volume on reds while pursuing more expensive whites, sparkling wines and beers for home delivery.
Segmented by region, data from wine-searcher.com show the strength of the world’s best known wine names as shoppers went online in higher numbers this July. This table shows each region's share of 4.2 million searches that occurred in July 2020 and how that compares to July 2019. While Oregon wine in general, for example, may have been flat compared to 2019, searches for the state’s white wines were up 9% and there was a 20% spike in searches for Oregon rosé. Contact feedback@wine-searcher.com for more information on the website’s data.



End of interactive chart.
The bump in web activity for spirits seen in the wine-searcher.com data may also be reflected in this finding from Provoke Insights that the majority of respondents in its survey were making cocktails at home and some were planning to be mixing even more in coming months.

DtC, online shopping pick up some on-premise slack

The bright spot remains direct-to-consumer shipments and e-commerce sales. Tasting rooms may be closed or operating at half capacity, but Wines Vines Analytics/Sovos ShipCompliant data indicate strong growth in shipments versus last year. Wineries shipped more than 4 million cases worth nearly $1.7 billion in the first six months of 2020. Volume was up 30% while value was up 15% versus last year.

Most e-commerce platforms are also reporting stronger activity. Wine.com reported a 283% increase in revenue in the three months ended June 30 versus a year earlier, and Drinks.com provided a similar estimate of sales growth. Drizly, which fulfills orders via local retailers, has reported similar levels of growth. Supermarket operator Albertsons doesn't break out its wine sales, but it reported 276% growth in digital sales during the 16 weeks ended June 20, "a direct result of significant demand due to the COVID-19 pandemic."

The big question, of course, is will the orders continue? Wine.com CEO Rich Bergsund credited his company's growth to consumers committing to e-commerce, now a mainstream channel for off-premise sales. But if its growth is a function of the surge in off-premise sales, how will orders fare as restaurants and tasting rooms reopen?

Research by consumer intelligence firm Toluna indicates 61% of consumers feel restaurants are doing a good job of communicating but 41% plan to continue cooking and eating at home more often as reopening takes place. This is consistent with findings from New York market research firm Provoke Insights, which found that 15% of consumers have increased home wine purchases during the pandemic and that 92% intend to continue that same high level of purchasing once pandemic-related social restrictions lift.

The plans to eat at home more often have been reinforced as states have shown greater willingness to regulate activities in public areas. "[I] would like to think that the heaviest hits are now behind us and that we have already hit the bottom," said Mitch Stefani, associate client manager with Nielsen CGA, which analyzes sales data from 15,000 restaurants nationwide. "The declines over the last few periods have leveled off a bit. However, given the nature of COVID-19, it's hard to forecast … with various states advancing/regressing with their phases of reopening."

The uncertainty bodes well for order activity, said Liz Paquette, head of consumer insights with Drizly. "Prior to the crisis, the alcohol e-commerce category was a small, but steadily growing segment of the industry. The No. 1 challenge was category awareness," she said. "Many people didn't even know that alcohol delivery was legal. That awareness challenge has definitely subsided during this period as many consumers turned to delivery services as a safer alternative."

With sales on Drizly up more than 500% in the second quarter versus a year ago, Paquette believes the shift to online will be permanent. "We have seen evidence that this is behavior that will sustain and that consumers will continue to shop online for a large percentage of their alcohol purchases for the long term," she said.

Danny Brager, formerly senior vice-president with Nielsen's beverage alcohol practice and now a consultant to the market research firm, said he expects the opportunities for wine deliveries to grow. This is the case not only for off-premise sales but also on-premise orders. Iowa, for instance, recently became the first state to permanently legalize alcohol delivery with take-out meals, and it likely won't be the last.

But if growth in the initial months of the pandemic was driven by first-time sales, continued growth will come from repeat sales. According to Zac Brandenberg, CEO of Drinks.com (Drinks Holdings Inc.) in Los Angeles, 69% of orders through its Wine Insiders program were from repeat customers during the first three months of the pandemic. "As we entered into the summer, we did see a decline from those initial highs. That said, demand levels are nearly double July sales from last year, and it is obvious to us that there is a new baseline for demand online," he said. "We firmly believe that consumers will continue placing more frequent online wine orders even after the pandemic subsides and that we'll see our usual seasonal spikes (Black Friday, Christmas, New Year's Eve) but at much-elevated levels over previous years."

Brandenberg also noted that consumer habits online mirrored those through traditional retailers, with average order volume up 20%, indicating that consumers have been buying larger quantities of wine.

However, there are signs that online purchases may decrease once consumers begin circulating freely. Many consumers face tough financial decisions as payments on mortgages and other fundamental payments can no longer be deferred. Unemployment remains high, and there's no guarantee lawmakers will renew temporary unemployment benefits introduced in response to COVID-19 at their original levels. (The temporary benefit supplement of $600 expired at the end of July, and an executive order signed in early August reduced the federal component to $300.)

An analysis by the JP Morgan Chase Institute highlights the role jobless benefits played in sustaining consumer spending during the early months of the pandemic, and the dangers inherent in weaning job-seekers from them too quickly. Spending by those who remained employed after the pandemic was declared fell 10%, while recipients of unemployment benefits increased their spending by 10%. Underscoring the stimulus that jobless benefits offered is the finding that those who lost jobs and experienced a substantial delay in receiving benefits pared their spending by 20%. Terminating benefits prematurely holds significant economic risk, and raises the specter of a pandemic-led recession being deepened by cautious consumers.

"The true economic fall-out may well be ahead of us," Brager remarked during the Ciatti market update webinar on Aug. 12. "If that happens, the growth could accelerate at the bottom end. It's not right now, but it could from the consumer's perspective if they just can't afford some of what they were affording before."

The dark irony, however, is that wine sales to the middle tier of buyers appears to be steady. Job losses have been disproportionately among workers at the lower end of the pay scale. The bad news has, in turn, pushed top-end buyers into a more defensive position. But the tech-savvy professionals at the heart of America's service-oriented economy have continued to spend, embracing online ordering and seeking out unique offerings at brick-and-mortar retailers.

“The wine consumer tends to be more higher-income, so probably more insulated, which is a good thing,” Brager said. “For the foreseeable future, the opportunities are going to be in the retail off-premise, whether that’s brick-and-mortar or whether that’s online.”

This is evident in the bulk wine market, with activity up and available volumes down by half since the spring. Wineries, sensitive either to consumer demand shifts or their own cash flow issues, are scouting bargains. Pricing for wine destined for value-oriented labels has strengthened while offers for wines from coastal regions that would have gone to on-premise accounts, has softened.

“We see two very different markets. First we have the value end, and mid-priced wines which are sourced for well-positioned off-premise brands. That activity has been strong, both in bulk and in the grape market,” said Leonardo. “On the premium-end wine side, these are sourced for smaller brands that rely on tasting rooms and on-premise, and … we’ve seen limited activity there.”

Insights on travel and wine research

New data from the Wine Market Council is offering insights on wine drinkers’ thoughts on travel and how they research wine prior to making a purchase and while shopping. The WMC has begun working with a new research partner, CivicScience, which can conduct large scale consumer surveys that can be segmented by wine drinkers.

Based on that research, consumers are very reluctant to travel and most have canceled travel plans or stating they have no intention of making any. Furthermore, when a minority of consumers do report planning to travel a significant majority of those plan to do so only by car or some other option aside from air travel. What that means to WMC’s director of research Christian Miller, who is also the owner of Full Glass Research, is that wineries should focus marketing efforts on regional visitors rather than hope for the soon return of tourists flying in from out of state.

Rate

End of interactive chart.

According to a recent Wine Market Council survey, there are some significant differences between information sources used by consumers prior to shopping and in-store. Wine-related websites such as winery sites, wine region websites and wine-based media including Wine Spectator and others, are the top source prior to shopping but drop significantly in store.

End of interactive chart.

General internet searches rise significantly in importance when consumers are using their

phones or mobile devices in-store. Use of wine apps while shopping nearly doubles, but from a relatively low base.
The WMC is also working on better understanding how consumers research wines prior to shopping and when they're in a store looking to make a purchase. Based on a survey of wine consumers — 60% core (drink wine at least once a week) and 40% marginal — it found that both groups were likely to research wine before a purchase. The survey found a majority of all the consumers, both core and marginal, would either "often" or "sometimes" seek information to help a wine purchase either in a store or online. "Wine appears to be a more information-driven decision than other groceries," Miller said. He will be digging further into the data during a WMC webinar to be held Sept. 2

Half of the survey respondents who reported buying wines priced $20 or more per month said they research wine online before shopping and even those who claimed to be "very knowledgeable" were significantly likely to research wine prior to shopping. Marginal consumers appear just as likely to do wine research prior to shopping as they are to do it in the store.

Wine websites, which includes winery sites, AVA and association websites and wine media, are the most popular sources of information before shopping. When consumers are in stores and on a mobile device the majority say they just do a simple browser search. Survey respondents older than 40 were more likely to use internet searches while shopping and "very knowledgeable" wine consumers were only half as likely to use such a search as less knowledgeable. Nearly 90% of those who primarily use their mobile devices when in stores described themselves as just "somewhat" or "not knowledgeable" about wine.

Social media rises to the second most used source of information for consumers while in stores while winery websites falls to third. Based on the survey results, it appears wineries need to be mindful of not just where consumers can find information on their brands, but also if that source matches the purchase occasion or consumer. "If you can spend on optimizing SEO at the times when most likely your target market is doing that search that would be dollars well spent," Miller said.

—Peter Mitham, Andrew Adams

Referrals Key to Maintaining DtC

Despite advances in e-commerce and direct-to-consumer shipments growing by leaps and bounds in step with the number of states allowing shipments, the tasting room has remained the single most important tool for fostering direct sales.

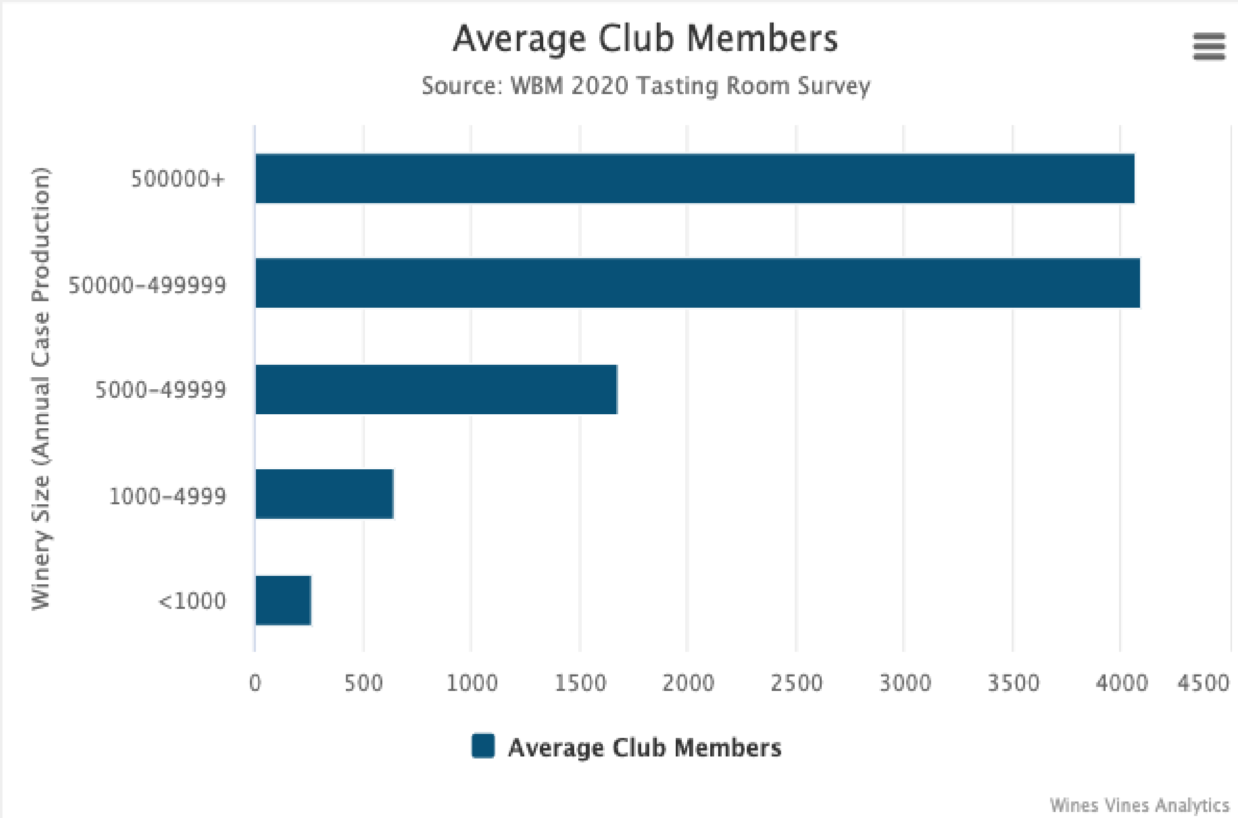
Tasting rooms helped facilitate the growth of the U.S. wine industry over the last 60 years, as they created generations of loyal customers and helped "wine country" to spring up across the United States.

> Pandemic shutdowns forced wineries to get creative.
>
> Discounted shipping key to maintaining sales.
>
> Targeted social media advertising helpful to gain new consumers.
>
> Virtual tastings likely to remain a tool for the long term.

With nearly 10,800 wineries in the U.S., consumers have more tasting room options than ever before, and many wineries not only have estate tasting rooms but also satellite facilities. Virtual wineries have also invested in brick-and-mortar tasting rooms to grab a piece of the hospitality market. Even in established markets such as Napa Valley, a new generation of tasting rooms in city centers near new hotels resulted in a new source of competition for estate operations in more rural areas of the county.

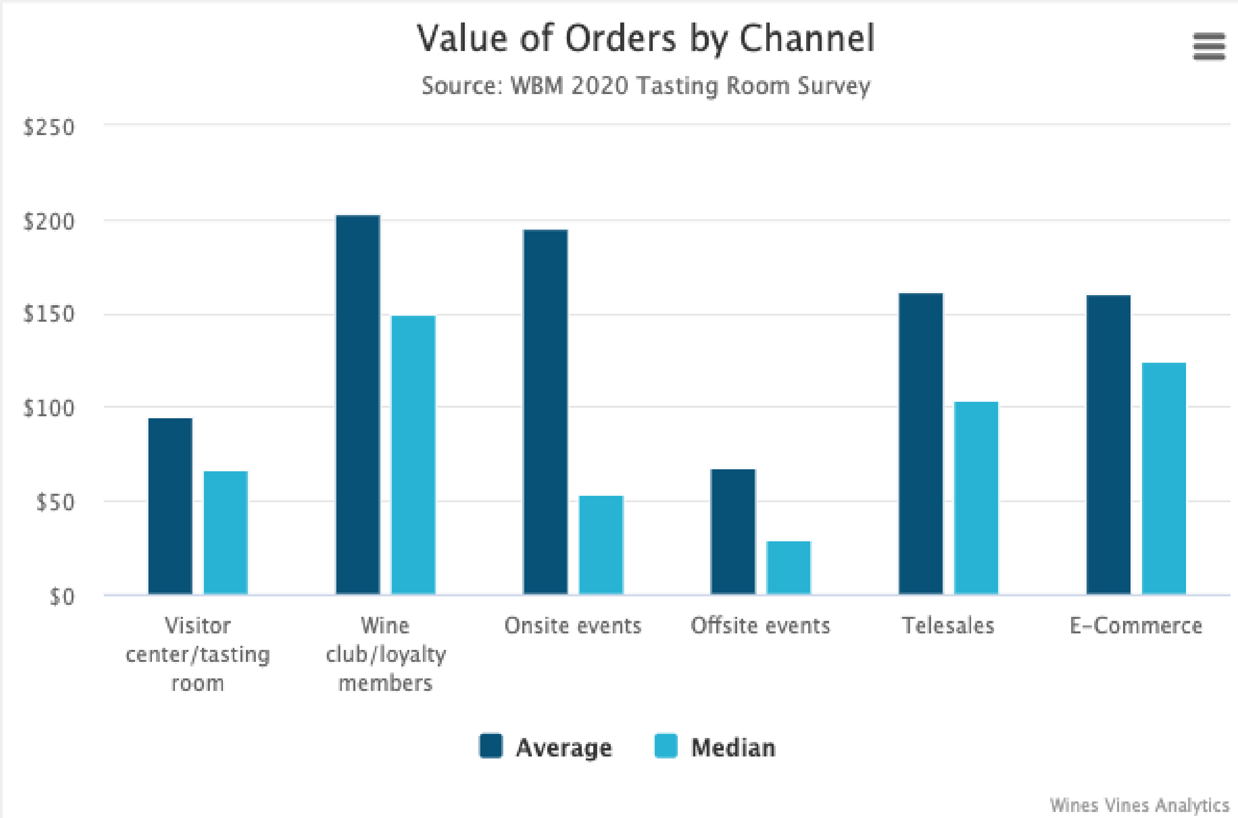
Nevertheless, even before the pandemic hit, the tasting room was no longer as much of a source of new business as it had been in the past. Wineries have been under even more pressure to be more proactive in DtC marketing to get people to visit, purchase wines and sign up for the email list or wine club.

"What the pandemic has really done is it has accelerated trends that were already happening in the wine industry," said Peter Yeung who is a wine industry consultant and co-author of the book Luxury Wine Marketing. "We've been talking for three to four years about how we need to push more into the digital space and think about bringing the tasting room experience outside of the winery."



End of interactive chart.
The smallest U.S. wineries also have the smallest wine club on average but enjoy the strongest growth rate according to the 2020 Wine Business Monthly Tasting Room Survey.

End of interactive chart.



End of interactive chart.
On average, wine club orders provide the highest order values yet tasting room business accounts for the largest share of overall direct-to-consumer sales.

Create your own word-of-mouth buzz

For a typical winery with an allocated list, about 50% to 60% of new consumers come from word of mouth, Yeung said. The rest sign up because of favorable media coverage and scores, recommendations from retailers or sommeliers, and from trying the wine at events such as food and wine festivals or auctions.

Most of those events have been curtailed or closed, and media coverage is tough unless a winery has a unique story. Wineries now have to create word-of-mouth marketing rather than wait for consumers to discover their wines.

This can mean taking the wine that had been designated for on-premise accounts and instead enabling existing wine club members to invite their friends and family to join the list. “For mailing list wineries, getting new names on the list has always been key,” he said.

Virtual tastings have been a success for most wineries in the pandemic and are even more successful when a winery partners with a social media influencer, celebrity or promotes the tasting with targeted, paid advertising. Idle tasting room staff can also make direct sales over the phone to consumers who are more than likely working from home and able to answer the phone. “Those are the key levers that people have been pulling in the pandemic to get new customers,” Yeung said.

Change has never seemed to happen quickly in the tradition-bound wine industry, but a global pandemic does appear to have forced the wine business to embrace a new and modern approach to maintaining connections with customers and acquiring new ones.

Founded in 1861 and offering tastings since 1882, Charles Krug Winery, which is owned by C. Mondavi & Family, has a long history of hospitality in Napa Valley. This year it unveiled new cabanas on the expansive grounds surrounding the historic stone winery in which its tasting room is located. The cabanas have proved ideal for hosting outside tastings during a pandemic, but they were a stroke of pure luck, as the decision to build them took place long before anyone had ever heard of COVID-19.

President and CEO Judd Wallenbrok said that back when the pandemic and shutdowns began, the outlook appeared grim. “We really predicted doom and gloom,” he said. “If you don’t have people coming to your winery, what do you do?”

The winery not only projected losses from a lack of visitors, but it also anticipated losses from wine club cancellations, as it was clear the economy was going to take a severe hit. Instead, that never happened, and new DtC business more than made up for losses in the tasting room. Wallenbrok said tasting room staff switched to working the phones to drum up tele-sales, and some even reached out to people they had previously hosted at the winery to build on a personal connection.

In another stroke of good luck, the winery had recently updated its website and e-commerce platform, and part of that included a new chat function. “That’s been unbelievable. We have someone manning the chat window, and the engagement that goes through the chat window has been remarkable,” Wallenbrok said. “The most amazing thing to me is we’ve signed up a few wine club members just through the chat window.”

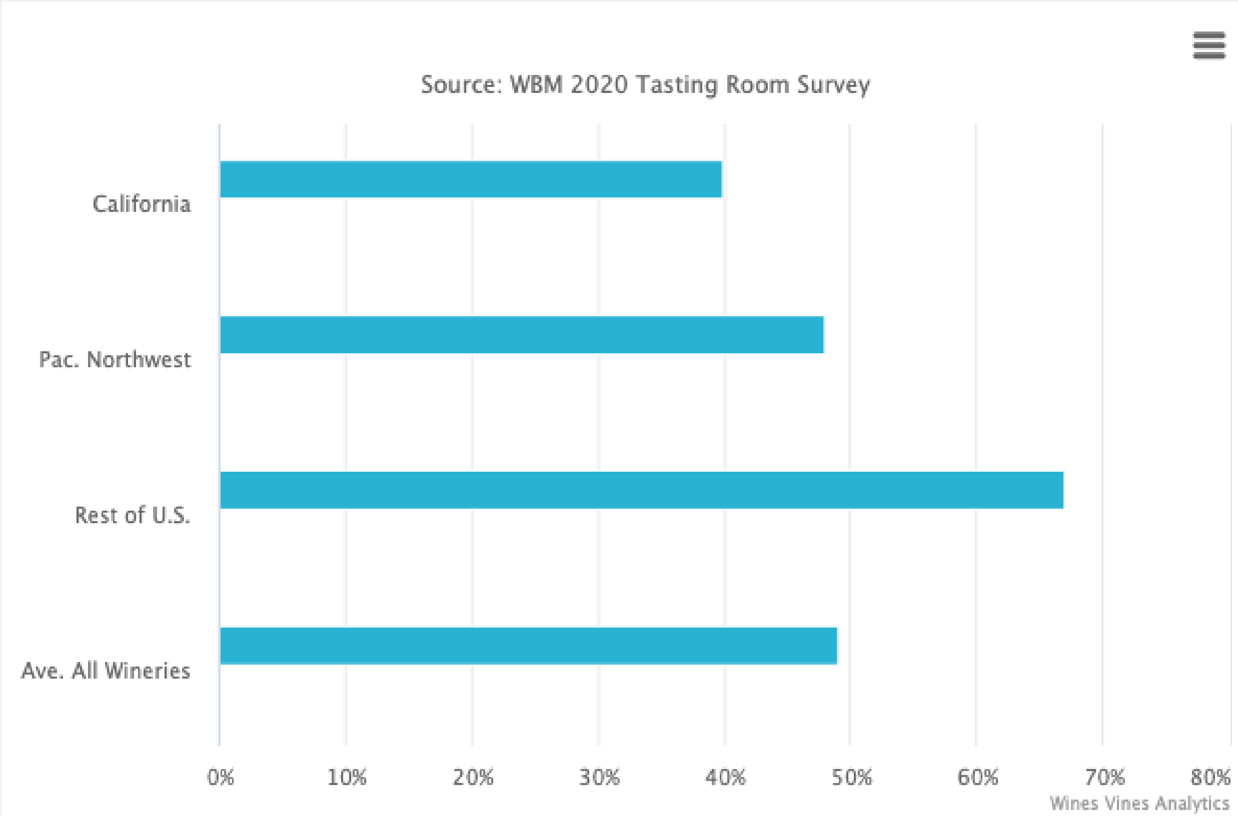
The feature has proved especially useful following virtual tastings in which consumers land on the website for more information and end up getting engaged with the chat function.

While everyone is feeling a bit of Zoom fatigue in the sixth month of the pandemic, Wallenbrok said it was a huge help early on, when consumers were stuck at home eager for something to do, and it has continued to provide a useful tool for sales. Wallenbrok, and even members of the Mondavi family, have conducted tastings that have resulted in significant sales, and virtual conferencing has also been invaluable in maintaining connections with distributors who are no longer offering market-visit ride-alongs.

Nothing can beat face-to-face interactions, but Wallenbrok admits the virtual tastings and meetings save money on travel costs and are better for the environment. “I think it’s here for good,” he said.

The winery also worked with a data consultant to run a segment analysis of its wine club and customer base to create better-targeted sales campaigns. Rather than just blanket emails to the entire list, a segmented approach takes into account past purchases, demographics and even a customer’s upcoming birthday to develop targeted marketing outreach. “It’s a much more proactive approach to slicing and dicing the database,” he said.

Charles Krug also hasn’t stopped planning for the long term. In early August, the company announced its acquisition of French rosé producer French Blue. Wallenbrok said the non-cash equity deal gives the French firm a U.S. sales and distribution partner while C. Mondavi is able to diversify its portfolio. With a suggested retail price of around $15, the wines are a great fit for the wholesale market, where rosé continues to be quite popular. Wallenbrok said the company is interested in other partnerships, possibly with a domestic producer focused on varieties or regions not currently in the Mondavi portfolio. “I have a really stellar sales organization with a really wonderful distributor-relationship network out there,” he said. “We have the vehicle to sell more wine.”



2019 Tasting Room Share of Total DtC

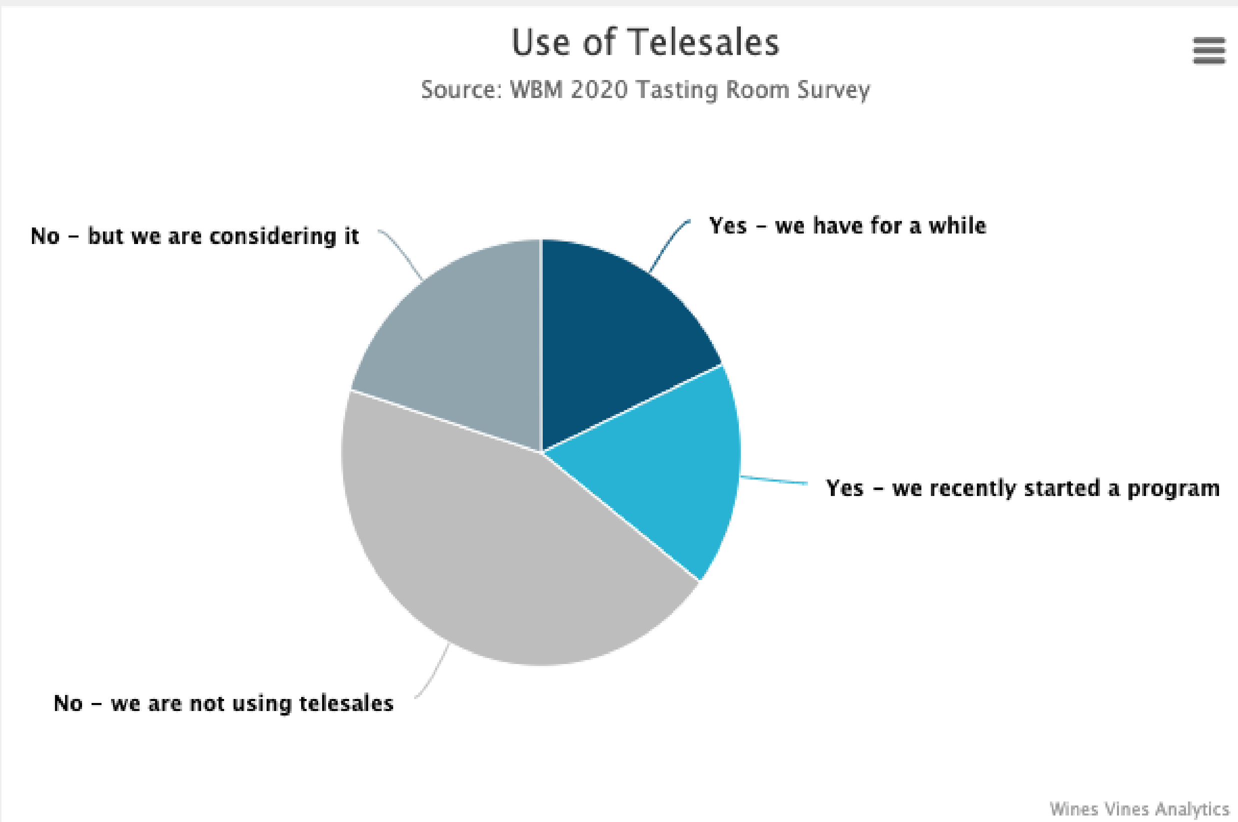
End of interactive chart.

Tasting room sales account for a higher share of all DtC for wineries outside of California and the Pacific Northwest, demonstrating the importance of this channel for developing wine regions.

End of interactive chart.

The majority of wineries surveyed in the 2020 WBM Tasting Room survey enjoyed an increase in tasting room sales during mandatory lockdowns, and some have even reported exceeding DtC projections made prior to the pandemic.

End of interactive chart.
Curbside pickup proved a useful and popular way for wineries to maintain DtC sales without having to take a hit on shipping costs although many still offered shipping for free or at a steep discount.



End of interactive chart.
While many wineries are still uncertain about telesales, several recently found success using idle tasting room staff to call new or existing consumers.

End of interactive chart.

Pushing local shipments, targeted social media

Kim Kramer is the winemaker at her family's Kramer Vineyards in Gaston, Ore., but she also helps out with sales and marketing. Back in March, she focused on online sales to make up for a closed tasting room. "We really shifted our focus to the website and email marketing," she said.

Email offers came with deep discounts on shipping, and Kramer used data from the winery's point-of-sale system and e-commerce software provider to create targeted offers based on purchase history and demographic information. Most of the efforts are for consumers within the state of Oregon, but Kramer said that offering the option for air shipping has helped drive purchases from outside of the state. The option appears to help convince them to buy. "The 'I'll waits' turn into 'I'll do it now,'" she said. "More people than I would have expected are taking us up on that upgrade."

In terms of connecting with new consumers, Kramer said she's been successful with Facebook advertising that generated several hundred new subscriptions for email marketing. "I still can't believe it worked as well as it did," she said. Hoping to maintain sales momentum through the fall, Kramer said she's going to market gift packs, as she noticed they were a popular purchase at the start of the pandemic and likely will be even more popular if people can't travel and see family during the holidays.

Kramer Vineyards' tasting room has reopened, but Kramer said all tastings are held outdoors and require a reservation, and the winery has a maximum of 28 people at one time. So far, Kramer said, she's enjoying the slower pace in the tasting room and has found that even though the winery is seeing fewer guests, those that do make an appointment have been buying more wine.

Channel shift comes with a staffing shift

Oliver Winery in Bloomington, Ind., produces more than 500,000 cases of wine a year and operates a popular tasting room that sees hundreds of thousands of visitors in a normal year. The tasting room was closed for three months, and the 50 employees who had been working in it were reassigned to support marketing and online sales, said winery president Julie Adams.

Oliver wines are also distributed to 38 states, and Adams said increased sales from the wholesale market and online sales have cushioned the blow from a closed tasting room. “As the whole pandemic unfolded, we saw a massive shift in all the channels,” she said.

Hospitality staff went from greeting guests and pouring wine, to running email campaigns and connecting with customers over the phone. What also helped, Adams said, is that the winery invested in hiring an e-commerce lead in 2019. She said that even last year it was clear that the tasting room, while still popular, wasn’t the engine of sales growth it had been, and the winery needed to deploy resources to support e-commerce and wine club sales. “That was a move we made about this time last year, and that was because we were already seeing the writing on the wall.”

The winery also shifted advertising that was intended to promote foot traffic to focus on discounts on shipping costs and for ordering certain quantities of wine. During the spring, shipping volumes increased by five times what had been seen in 2019.

“Though online orders have slowed a bit, the demand is still higher than ever before, and we are prepared to make it a priority for the long term,” said the winery’s marketing director, Sarah Anderson. “Our goal is to not go back to the way things were but to adapt and move forward.”

— Andrew Adams

Largest Wineries Take Aim at DtC

The news July 16 that Constellation Brands Inc. had bought a minority stake in Booker Vineyard, producer of a successful direct-to-consumer brand as well as a growing négociant brand, signaled a breakthrough on many fronts.

DtC shipments by larger wineries have doubled since 2017

COVID-19 marked a watershed moment in interest.

DtC brands attracting greater interest and investment.

Key investments confirm the channel’s coming of age.

On the one hand, it confirmed Constellation’s move away from the value-oriented brands that it is in the process of selling to E. & J. Gallo Winery, a deal currently set to be completed by the end of August. While the brands being sold to Gallo sell for less than $11, the average price of the wines Booker Vineyard sells is $75 a bottle.

But even more dramatically, it was an investment by one of the country’s Big Seven wine companies in the DtC channel, which has been a key beneficiary of consumer shifts since the COVID-19 pandemic began in March.

“This whole experience that we’re going through is going to sensitize a lot of larger wineries and midsize wineries as to how they can go ahead and incorporate a strong DtC platform,” said Mario Zepponi, principal of advisory firm Zepponi & Co. in Santa Rosa, Calif., during the *North Bay Business Journal’s* annual wine industry conference July 29. “What Constellation did is the shot that’s heard around the wine industry. You’re going to see a lot of people double back and figure out, how do I build it? Do I buy it? Do I do both?”

Constellation’s investment in Booker, based in Paso Robles, Calif., followed its July 1 acquisition of Gary Vaynerchuk’s Empathy Wines, another DtC brand, and in mid-August Constellation announced a minority investment in Kerr Cellars in St. Helena, Calif. The deals boost Constellation’s exposure to the DtC channel significantly, further signaling how major wine companies are trying to keep pace with the changing market.

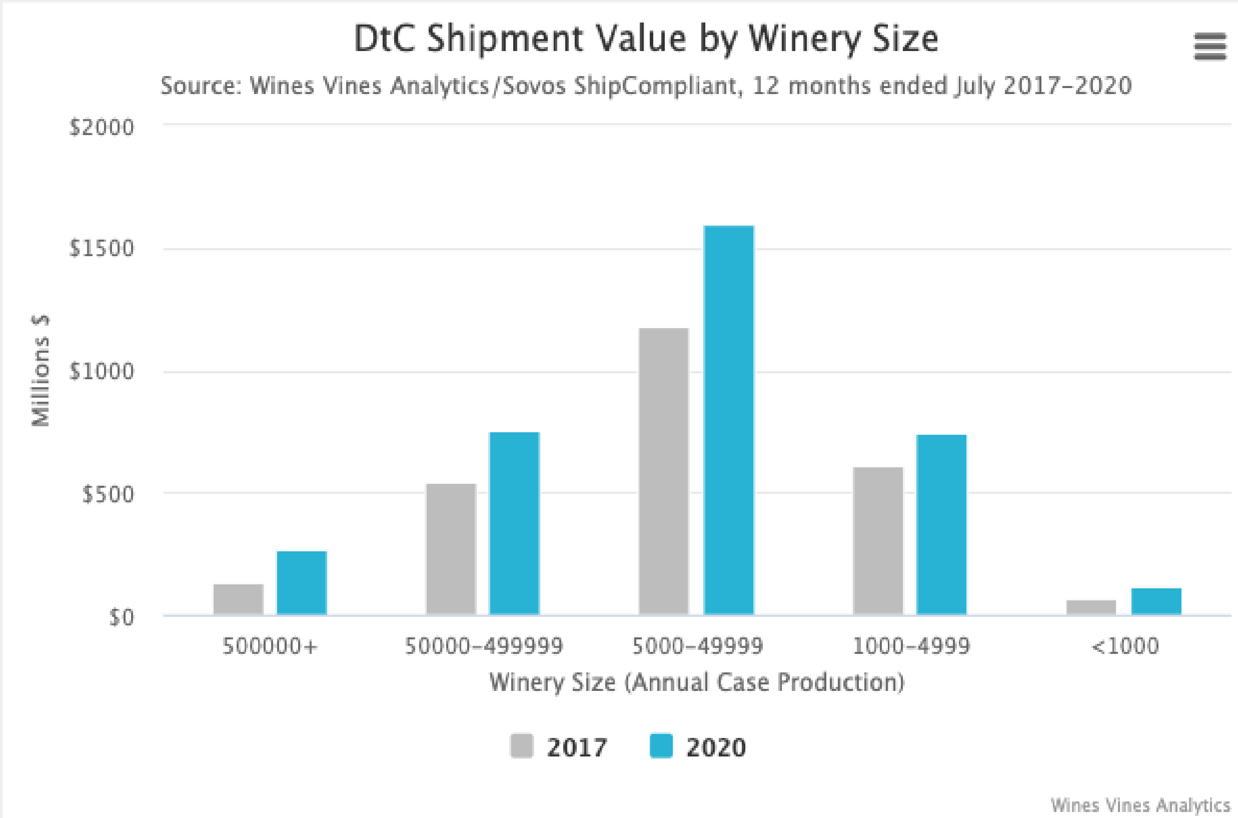
It’s been a long time coming, both for the industry as well as for individual entrepreneurs.

Speaking in January 2019, Zepponi principal Matt Franklin said many owners who had built DtC brands to a volume of 5,000 to 10,000 cases were looking for investors, but attracting interest was tough.

“They cash flow really, really nicely, and the odd thing is that we haven’t been able to find a buyer for these businesses,” he explained. “The larger wine companies want something they can scale pretty quickly in the three-tier channel, and the smaller wine companies, and especially the European buyers, want businesses that are vertically integrated with vineyards and winery and a tasting room.”

That effectively changed as an ample supply of bulk wine made sourcing high-quality wine easier, and the closure of tasting rooms boosted the appeal of online sales.

The investment comes as wineries producing 500,000-plus cases a year increase their use of DtC shipments. According to Wines Vines Analytics/Sovos ShipCompliant data, shipments by large wineries have more than doubled in value since 2017, and case volumes have increased 90%. This has boosted their share of the channel to 8%, with growth accelerating over the period.



End of interactive chart.
Shipments by wineries making more than 500,000 cases a year have doubled since 2017, and the pandemic has created even more interest among these companies to develop or acquire a direct-to-consumer program.

End of interactive chart.
While shipments by the largest wineries have grown significantly, those by small wineries (making between 5,000 to 49,999 cases a year) account for nearly half of total DtC market value and these wineries saw shipment volume grow by 39% since 2017.
According to Jon Moramarco, editor of the Gomberg, Fredrikson & Associates reports and

founder of the market research firm bw166, the country's biggest wine companies have done well in off-premise channels tracked by Nielsen during the pandemic. Nielsen channels represent 45% of the volume of wine sold in the U.S. However, these stores — primarily the major brand-name retailers — generate just 23% of sales. With more lucrative on-premise accounts shut down and consumers shifting their spending online, the big players continue to pivot to boost exposure to a channel that makes more sense than ever.

The 2020 WBM Tasting Room Survey determined median value of orders placed by wine club members or via e-commerce is $150 and $125 respectively. This was well above the value of orders placed by other means "It's all about getting higher-priced brands and doing more direct-to-consumer and making the full margin," Moramarco said of large wineries' investment in DtC. "But it's still a small piece of the business."

With retail purchasing increasingly going online, it makes sense for wineries to invest in the space, while smaller wineries are looking for opportunities to grow — something an investment from the large wineries allows.

However, the shift isn't straight-forward. Consumers may settle for affordable and everyday wines at the supermarket, as underscored by the surge in sales of box brands, but many are opting for more distinctive offerings online. Private labels have given retailers an edge on the shelf, and sales data crunched by bw166 indicates that many well-established California wineries have seen solid sales gains this year by shifting wines from on-premise to off-premise accounts.

Now, established DtC brands seem set to do the same for major vintners trying to take advantage of the shift to online purchasing. The smaller brands give them exposure to that segment of the market, balancing the larger portion of their business that happens through the three-tier system.

Zac Brandenberg, CEO of Drinks.com (Drinks Holdings Inc.) in Los Angeles, said when a major player gets involved in online sales, whether through a DtC brand or e-commerce, the challenge and the aim is to deliver a positive user experience that keeps them coming back.

Washington's Ste. Michelle Wine Estates overhauled its sales systems last fall to integrate its management of customer data across its various sales platforms, providing better insights into sales activity and purchasing, and to recommend additional wines from its portfolio that might interest consumers.

Retailers that Brandenberg works with, including Kroger, are also harnessing sales data to be more responsive to customers but also to ensure that buying wine online is similar to, and possibly even better than, the in-store experience. With enough history, retailers can begin to customize the user experience in the same way that customers make a beeline for their favorite aisles and products.

They're "using customer data to inform these decisions and building out inventory and recommendations based on customer demographics," Brandenberg explained. "Typically, retailers will always have plenty of reds and whites in stock — but the exact varietal breakdown often comes down to the customer base. For example, millennial women are 60% more likely to buy sweet wines than baby boomers and are 400% more likely to buy rosé than Pinot Grigio. So, a retailer that has a younger female demographic will be more inclined to stock up on Moscato and rosé than a retailer with an older demographic."

— Peter Mitham

Smallest Wineries Face Biggest Pain

Channel shifting and panic buying drove dramatic growth rates for off-premise sales and direct-to-consumer (DTC) shipments of wine this year but slower growth awaits, said Jon Moramarco, editor of the Gomberg, Fredrikson & Associates reports during a webinar the market research firm hosted on Aug. 6.

"So much volume and value was transferred to off-premise this year … there will be a channel shift back to on-premise," he said.

Data for the first half of the year indicate wine sales in the U.S. totaling $34.5 billion on a volume of 213 million 9L cases. While volume was up 5.7% from a year ago, value was down 6.5%. The divergence between the two was driven by a dramatic reduction in on-premise spending and surging off-premise sales.

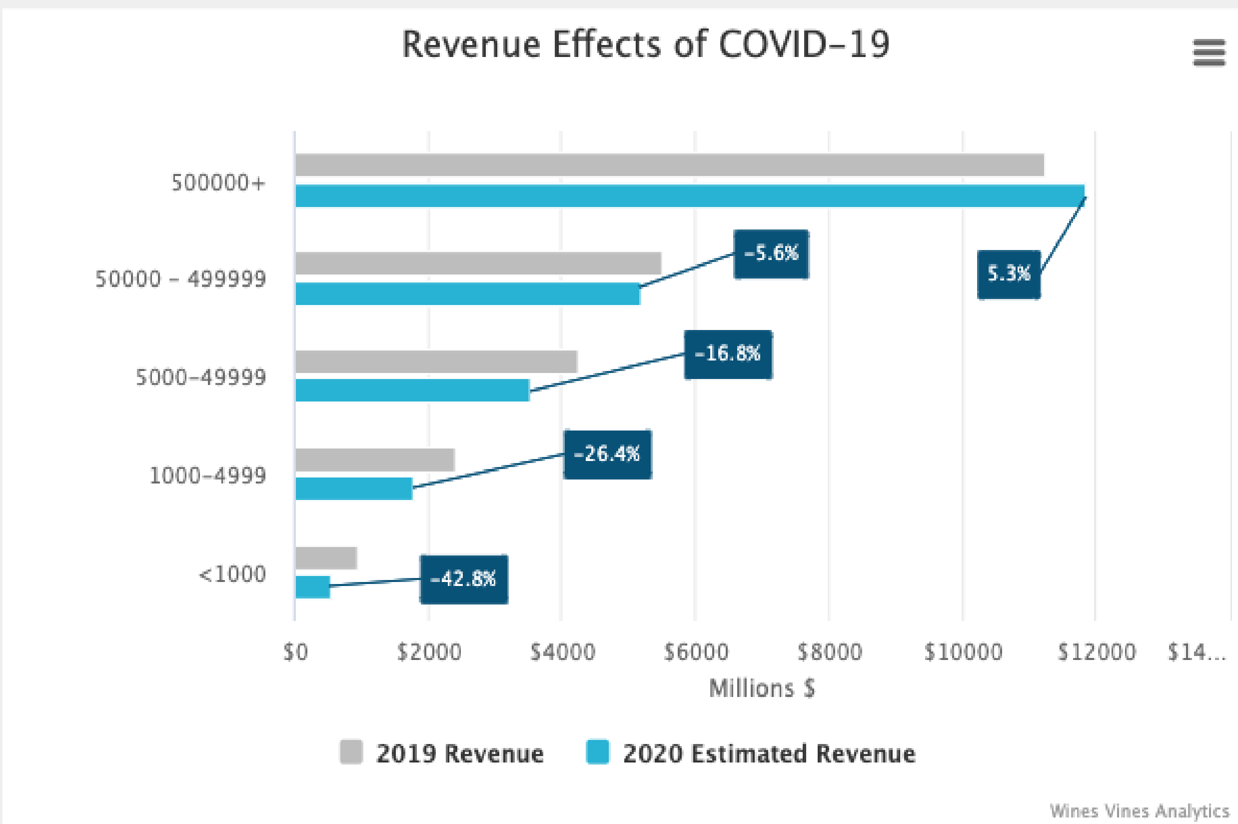
But as on-premise activity increases, off-premise sales will see slower growth.

Off-premise sales posted 13.7% growth in the first six months of 2020, and that will slow to 5.4% in the latter half of the year. The result will be a 9.4% increase in off-premise spending in 2020 to a total of $53.5 billion. Meanwhile, spending at on-premise establishments will be down 49.2% for the year, an improvement from the 90% drop posted this spring as public health orders shuttered establishments.

Moramarco, who is also the founder and owner of bw166, said he expects the total value of the U.S. wine market in 2020 to be $67.5 billion on a volume of 412 million cases. With off-premise growth moderating and on-premise activity recovering, Moramarco warned webinar participants to expect slower overall growth in the total market in 2021.

"Because of the dramatic growth in Nielsen channels and other off-premise and three-tier channels this year, we're probably going to see declines versus 2020 in those channels next year," Moramarco said.

The shifts will hit smaller wineries harder than larger vintners, thanks to their reliance on the channels hit hardest by COVID-19. The country's largest wineries – those producing 500,000 cases or more annually – will see total revenues increase 5% in 2020 versus 2019 to $11.9 billion. Use of the three-tier system, and major retailers in particular, buoyed the fortunes of the country's largest wineries in 2020. The smaller the winery, the greater the impact, according to Moramarco's analysis. While wineries producing between 50,000 and 499,999 cases a year can expect revenues to decline 6% overall, those producing less than 1,000 cases will see revenues drop 43%.



Source: Gomberg Fredrikson & Associates, forecasts updated July 2020
Winery Size (Annual Case Production)

End of interactive chart.

Due to losses in the on-premise sector, wineries producing fewer than 5,000 cases a year are on track to see the worst declines in revenue in 2020.
"When you look at winery revenues, the largest wineries are going to be in fairly good shape, but as you go down the scale, the amount of revenue lost by smaller and smaller wineries becomes significantly greater," he said. "The challenge that COVID-19 is presenting to the wine industry is that the smaller the winery, the bigger the challenge."

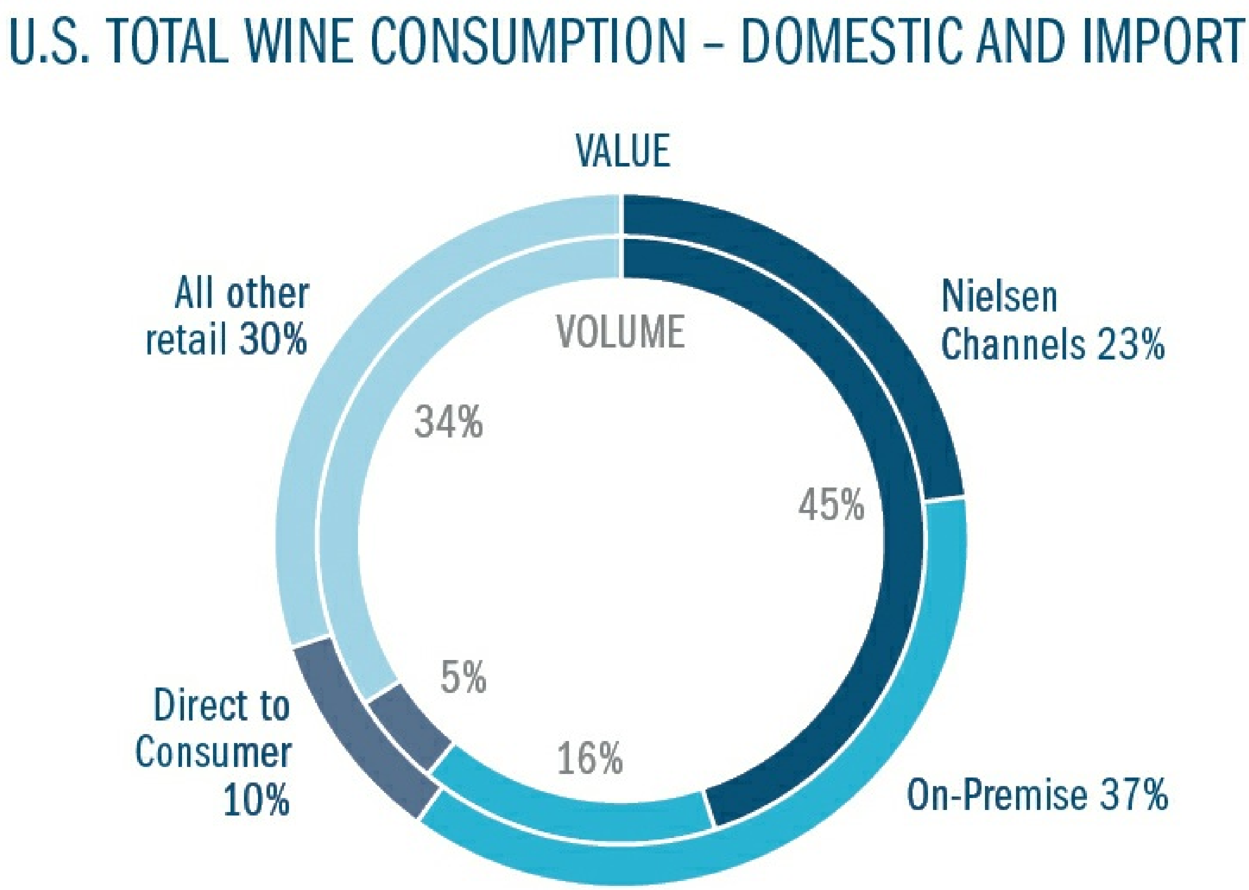
The declines reflect smaller wineries' greater dependence on tasting room sales and on-premise accounts. While all categories of wineries are seeing three-tier and revenues from DtC shipments increase, the country's smallest wineries (those producing less than 1,000 cases a year, or 61% of all wineries) derived 85% of their revenues in 2019 from on-premise and tasting room sales. Those revenues are set to decline 51% this year. By contrast, wineries producing 5,000 to 49,999 cases a year are the most active with respect to DtC shipments and derive just 47% of their revenues from on-premise and cellar-door sales. While those revenues are set to decline 52% this year, greater DtC activity will result in a net drop in revenue of just 17%.

The shifts in how wine is sold set the stage for a decade that promises to deliver scant growth in the total legal drinking age population and an anticipated decline in consumption as the population ages. Despite a lack of research into how alcohol consumption changes as people age, Moramarco said it is clear that wineries need to prepare for a more challenging environment. This includes understanding their target market, how to reach it, and making a case for the value of their wines offer. This is about more than pricing wines right, but determining how to grow market share in a competitive market.

"There's far more need for market share growth, and being able to understand how you grow your market share," Moramarco said.

— Peter Mitham

Wine Industry Metrics: Retail, DtC Strong



Value of Domestic Wine Sales for 12 months ended July 2020:

-2% U.S. wine sales including bulk imports, bw166

Other Wine Industry Metrics July 2020 (versus July 2019) data:

- +18% off-premise sales value, Nielsen channels
- +30% DtC shipments value, Wines Vines Analytics/Sovos
- -33% Winery Job Index, Winejobs.com
- -20% on-premise sales (ended June 13) Nielsen CGA

U.S. TOTAL WINE CONSUMPTION – DOMESTIC AND IMPORT

	Value	Volume
Nielsen Channels	23%	45%
On-Premise	37%	16%
Direct to Consumer	10%	5%
All other retail	30%	34%

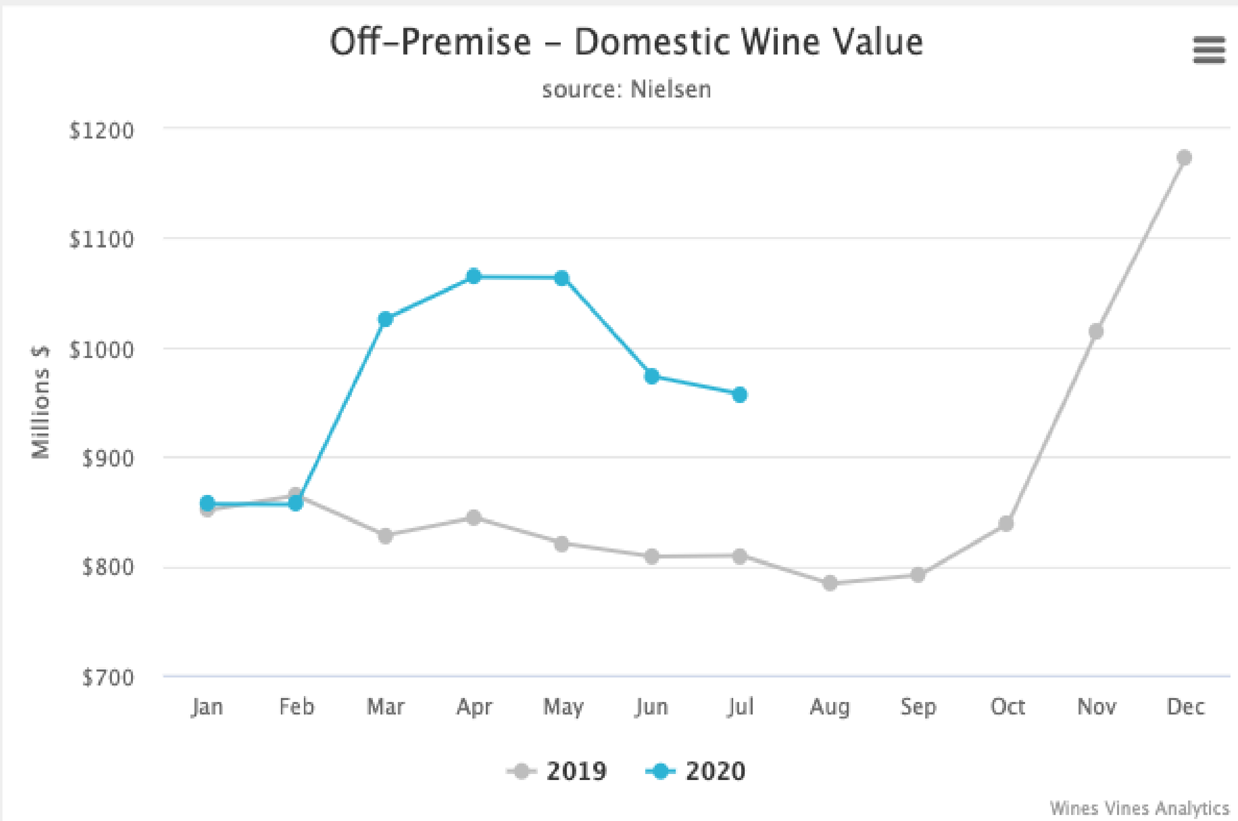
End of interactive chart.
Domestic wine sales, including bulk imports, fell 2% to nearly $50 billion in the 12 months ended July versus a year earlier. Sales in July alone came to $3.2 billion.
Consumer spending on domestic wine, including bulk imports, fell 2% in the 12 months ended July to total nearly $50 billion, according to market research firm bw166. Table wines drove the decrease as spending fell 2% to $45.3 billion. Sparkling wines offset the drop with sales rising nearly 3% versus a year ago to $2.2 billion. Bulk imports also increased by 7% to total $1.6 billion.

The total value of the wine market in the U.S. in the latest 12 months fell 2% to $72.5 billion. Spending on packaged imports slipped more than 3% to $22.7 billion, reducing the market's total value by $751 million. Spending on domestic wines accounted for the largest drop, at $907 million.

The single biggest factor in the decline of the total wine market is on-premise sales, which were affected by renewed restrictions on restaurant and tasting room openings in July. Underscoring this was the ongoing decline across domestic wine types in July itself.

Domestic wines logged a 12% decline in total value versus July 2019, with neither sparkling wines nor bulk imports posting the growth seen in the latest 12 months.

With the federal announcement on August 12 that tariffs on select European wines would continue, the prospects for packaged imports weakened. Domestic wines, including bulk imports, have gained in market share in recent months and currently hold 69% of the total market.

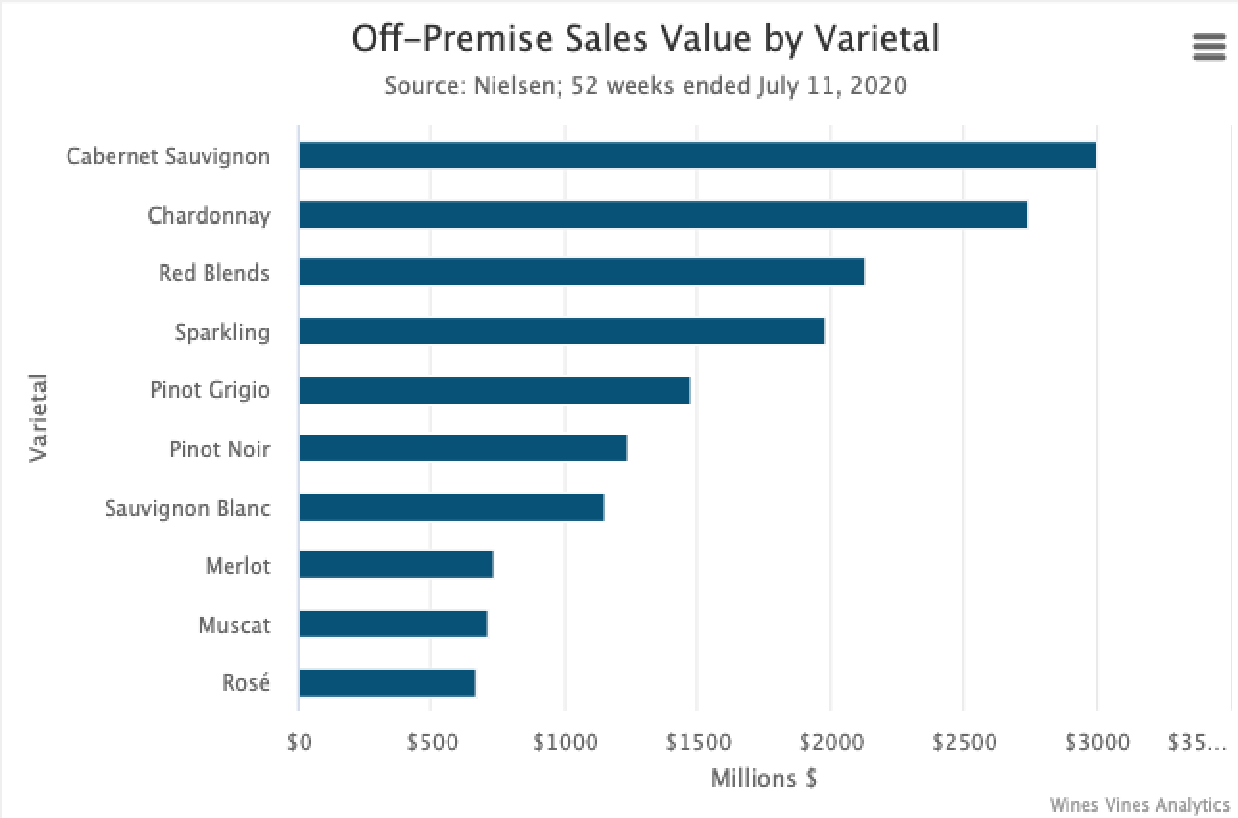


End of interactive chart.
Off-premise sales of domestic table and sparkling wines approached $957 million in the four weeks ended July 11, up 18% from a year ago.

End of interactive chart.
Off-premise case volumes totaled 10.2 million in the four weeks ended July 11, up 12% from a year ago.
Sales of domestic table and sparkling wines through Nielsen off-premise outlets approached $957 million in the four weeks ended July 11, an 18% increase versus a year ago. Volume in the period increased 12% to 10.2 million cases. Sales of domestic table wines increased 15% to more than $899 million while sparkling wines gained 20% to nearly $58 million.

The stronger growth in value versus volume reflected robust spending on table wines priced $20 and up, the value of which increased 42% in the latest four weeks. Conversely, table wines priced below $4 saw the value of sales decline 2%, the first drop in table wines since the COVID-19 pandemic began. Nevertheless, Nielsen pointed out that the $11-$14-99 price tier remains the single largest contributor to growth in absolute dollar terms, with the value of sales up 23% in the latest four weeks.

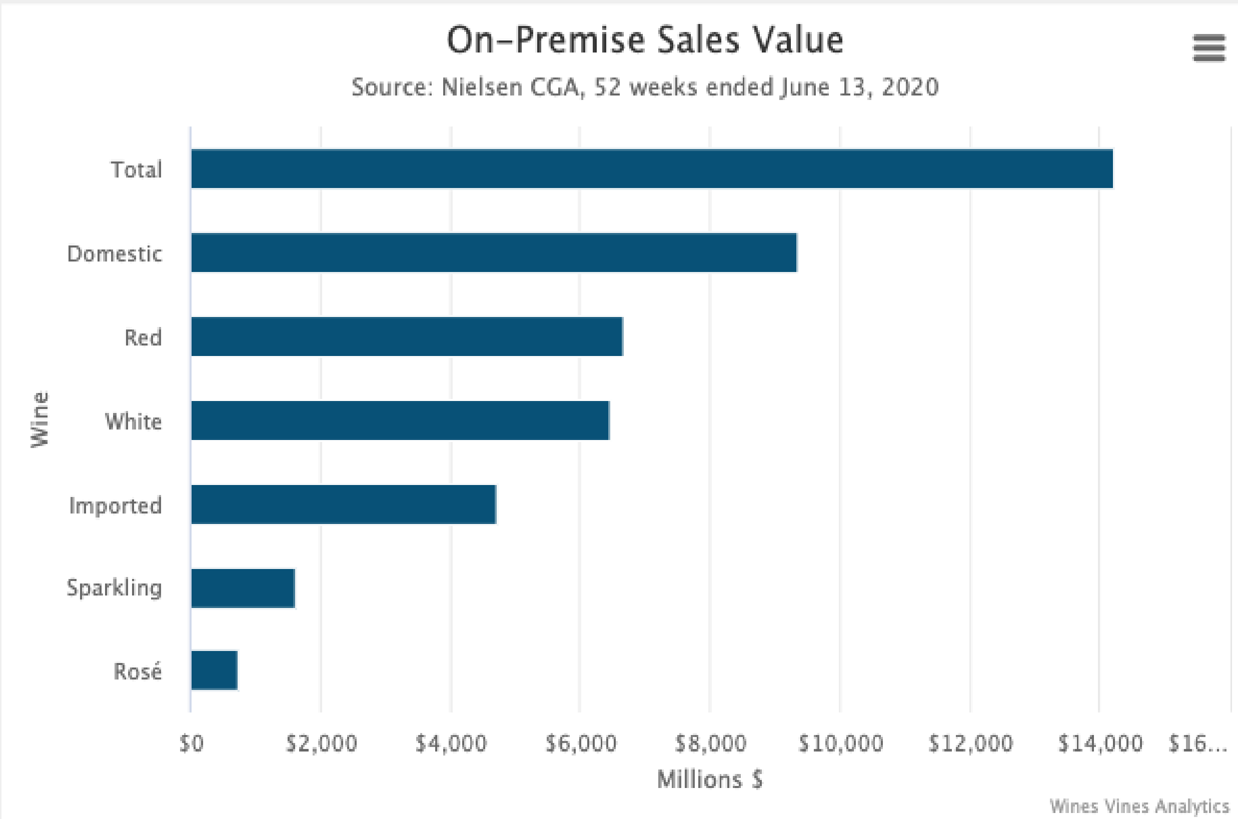
Domestic wine sales in the latest 52 weeks totaled $12.2 billion, up 9% from a year ago. Domestic table wines accounted for $11.7 billion of the total, up 8% from a year ago. Sparkling wines posted stronger growth, rising 10% to $759 million. Case volumes in the period increased 5% to nearly 132.6 million cases. Table wine volumes increased in line with the market as a whole while sparkling wines saw volumes increase 7%.



End of interactive chart.
Cabernet Sauvignon, Chardonnay and red blends were the most popular varietals by value sold through Nielsen off-premise outlets in the 52 weeks ended July 11.

End of interactive chart.
The value of rosé sales increased 19% in the 52 weeks ended July 11, followed by Sauvignon Blanc at 18% and sparkling wines at 13%.
With the shift in sales to off-premise, Nielsen data indicate that many established trends were reinforced. Sales of rosé continued to climb, for example, leading table wines with 19% growth in the 52 weeks ended July 11. Sauvignon Blanc ranked second in terms of growth at 18%, while sparkling wines, which were among the least affected in on-premise channels, saw the value of off-premise sales increase 13%. The biggest loser was Merlot, which saw sales slip 2% versus a year earlier to $731 million. The most popular off-premise

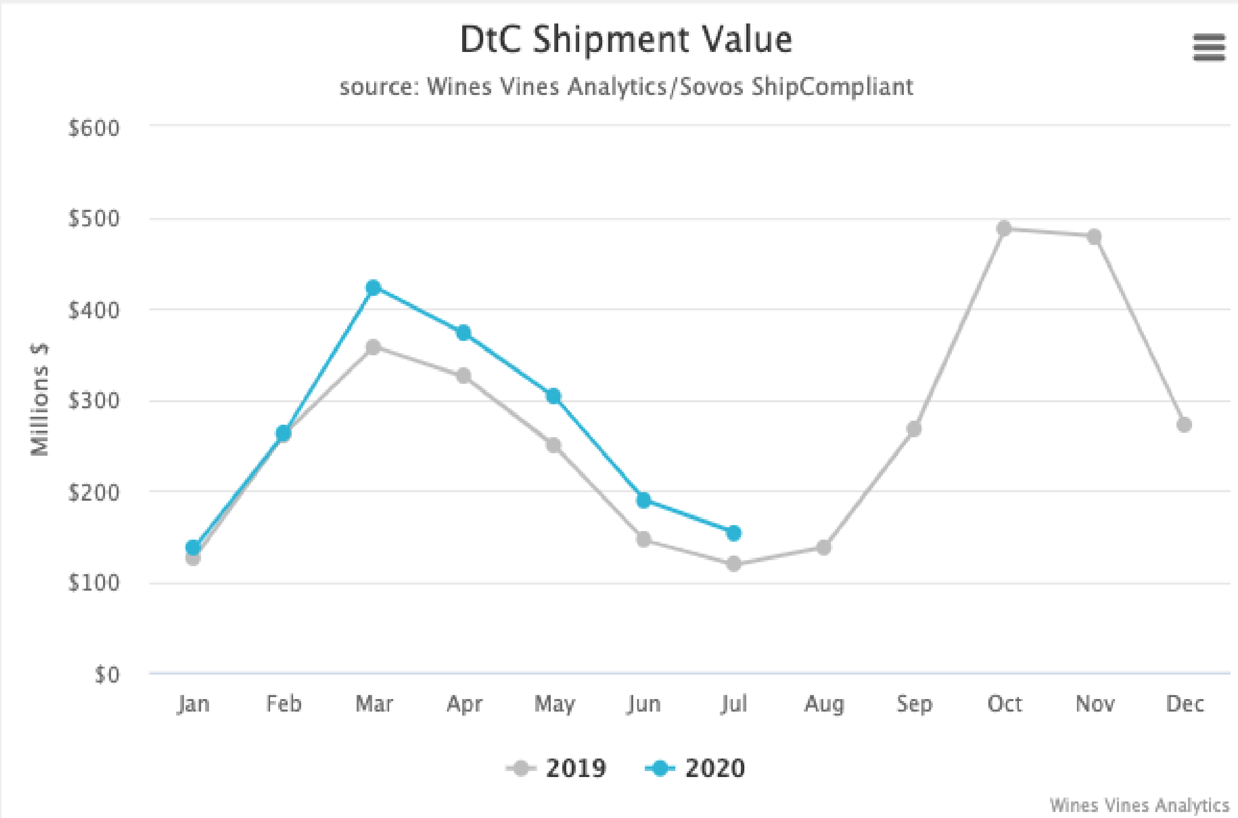
varietal was Cabernet Sauvignon, with $3 billion in sales in the latest 52 weeks followed by Chardonnay with $2.7 billion in sales and red blends at $2.1 billion.



End of interactive chart.
On-premise sales fell more than 20% to $14.2 billion in the 52 weeks ended June 13.

End of interactive chart.
On-premise sales data from Nielsen CGA underscored the depth of the impact COVID-19 is having on the hospitality sector. Despite reopenings that took place across the country beginning in late May, on-premise sales in the 52 weeks ended June 13 indicated a 20%

decline in wine sales to $14.2 billion. All wine types saw sales decline. Sparkling wines were less impacted than table wines, and among table wines, white wines were the most affected.

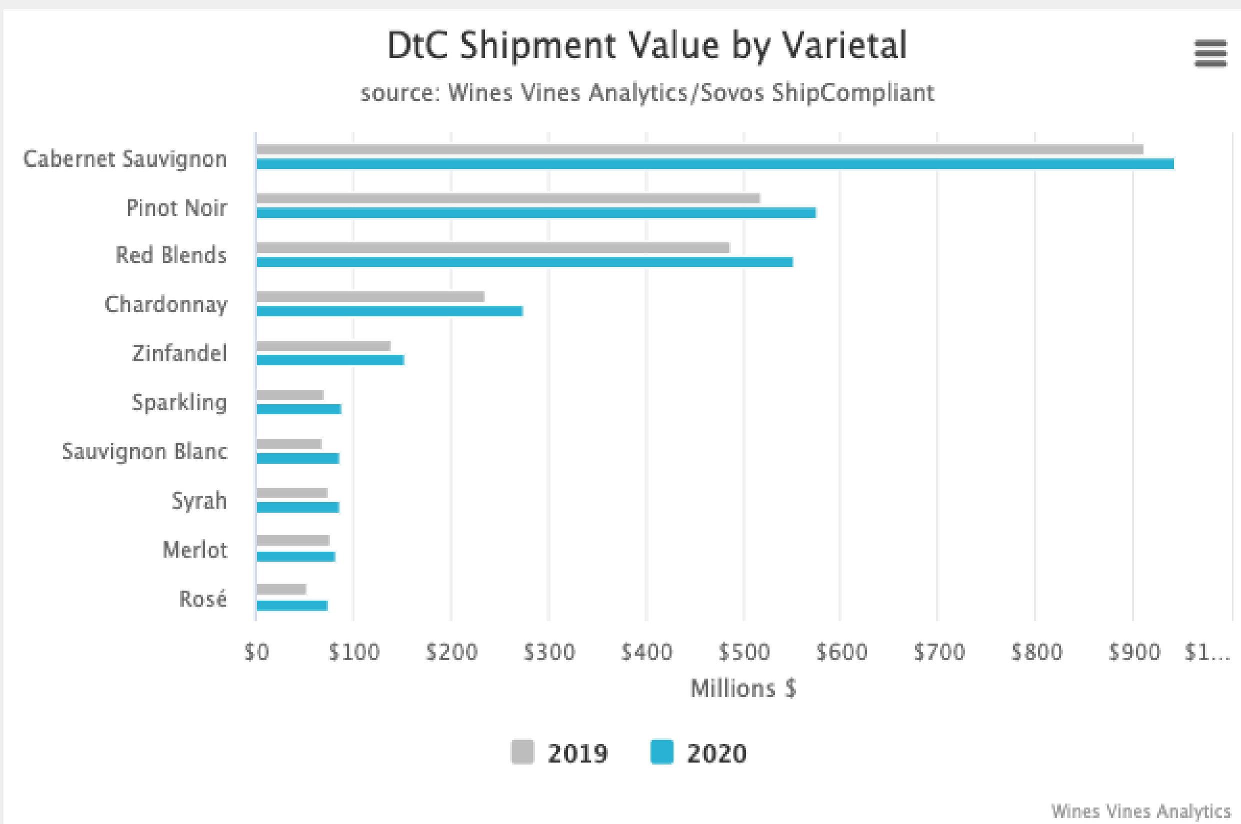


End of interactive chart.
DtC shipment value totaled $154 million in July, up 30% versus a year ago.

End of interactive chart.
DtC shipment volume totaled 451,390 cases in July, up 41% versus a year ago.

Growth in direct-to-consumer (DtC) shipments remained strong in July despite the onset of hot weather. Wines Vines Analytics/Sovos ShipCompliant reported that shipment value increased 30% versus a year ago to $154 million. Shipment volume increased 41% to 451,390 cases. The growth contributed to shipments of $3.5 billion in the latest 12 months, an increase of 12% versus a year ago. Average bottle price of July shipments was $28.66 and reflected five months of declines as use of the channel increased. This compared to $37.10 for the latest 12 months.

Many wineries have been able to use the channel to move product during a period of restricted tasting room activity and even closures. A breakdown of the channel by varietal yields insights into what wineries have been shipping in the latest 12 months. Cabernet Sauvignon is the most-shipped varietal, with a value of $943 million on a volume of 1.2 million cases. Pinot Noir and red blends came in second and third with shipments worth $575 million and $552 million, respectively.



End of interactive chart.

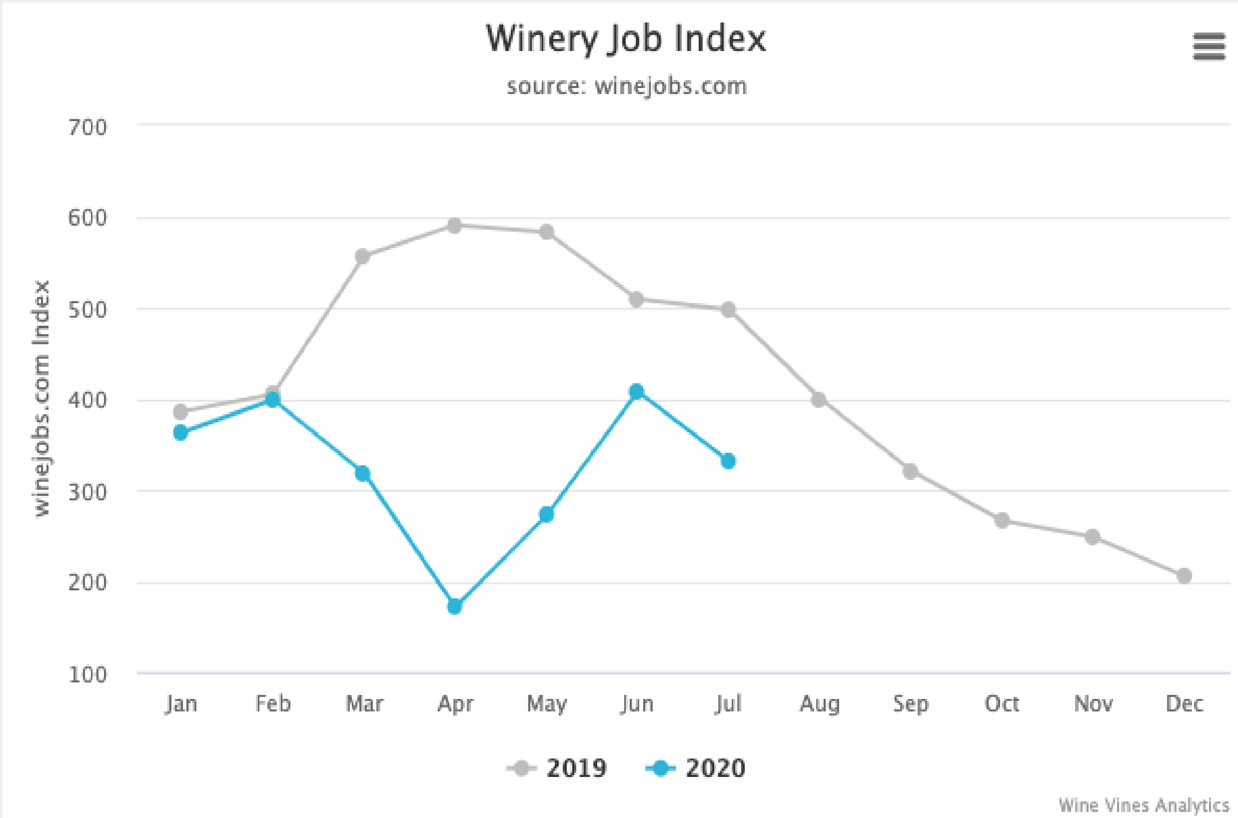
Cabernet Sauvignon, Pinot Noir and red blends are the three most valuable varietals shipped DtC in the 12 months ended July.

End of interactive chart.

Cabernet Sauvignon, red blends and Pinot Noir account for the greatest case volume of wine shipped DtC. Sauvignon Blanc and rosé have overtaken sparkling wine thanks to strong growth in the latest 12 months.

While rankings of the top five varietals remained unchanged versus a year ago, Chardonnay, in fourth place, saw the most dramatic growth at 17% by value and 24% by volume. The most dramatic growth among the top 10 varietals, however, came off the relatively minor categories of rosé (up 37% to $74 million) and Sauvignon Blanc (up 28% to $87 million). The gains helped them edge out sparkling wine in terms of case volumes for the fifth and sixth spot among the top 10 varietals.

Strong growth among the smaller varietals also highlights the diversification of the channel. Greater use of the channel has pushed down the average bottle price of the top varietals, with Cabernet Sauvignon posting an 8% decrease in the latest 12 months to $65.76 a bottle. Rising varietals meanwhile saw their average bottle price increase, with rosé up 3% to $19.89.



End of interactive chart.
Winejobs.com's Winery Job Index was 331 in July, down 33% from a year ago.

End of interactive chart.
Demand for winemaking and production roles fell more than 1% in July versus a year ago, ending the month at 654.

End of interactive chart.
Demand for sales and marketing positions fell 59% versus last year to 108 in July.

End of interactive chart.
Demand for direct-to-consumer positions, including tasting room and retail staff, was 50% below a year earlier in July at 389.
Winejobs.com's Winery Job Index was down 33% from a year ago in July, ending the month at 331. While the July data marked a softening after two months of improvement from a low in April, the overall index was bolstered by continued hiring for winemaking jobs.

The drop in overall hiring activity hit demand for vineyard labor hardest, with the index for the subcategory down 72% versus a year ago to 143. Demand for sales and marketing staff as well as DtC positions, including tasting room and retail staff, also fell. The sales and marketing subindex dropped 59% to 108, the lowest of any subcategory, while the DtC subindex was down 50% versus last year at 389. Demand was down in all subcategories, with hiring activity for winemaking and production roles proving the most resilient. It dropped just 1% versus a year ago to 654, the strongest read of any subcategory.

Rising cases of COVID-19 and the rollback of reopenings signaled the ongoing challenges the wine industry faces from the pandemic. But the resilience of demand for winemaking and production roles highlights that wineries continue to prepare for another vintage amid a lack of international interns. While the subindex for DtC positions reflected renewed tasting room closures, it remains above levels seen during the pandemic's first three months. The data indicate an industry responding and adapting to the challenge of COVID-19. The recalibration of staffing points to stabilization as the industry grapples with the long-term implications of the disease.

BevMo! Adjusts as E-Commerce Surges

In store tastings at BevMo! have been replaced by virtual ones that are doing well in terms of generating customer engagement and sales, reports the retailer's lead wine buyer Olivier Kielwasser.

Olivier Kielwasser manages the wine program at BevMo! as the category lead. He has more than 25 years' experience in the U.S. retail wine business. A native of Alsace, France, Kielwasser started his wine career at the age of 5, helping his grandparents make Riesling. Kielwasser earned his master's degree in management and marketing from the University of Strasbourg and holds multiple professional certifications that include Certified Specialist of Wine (CSW) and Wine & Spirits Education Trust (WSET 2). Kielwasser oversees BevMo!'s wine program with a team of buyers and also helps manage the retail chain's private-label program.

BevMo! is a privately held corporation owned by the equity firm TowerBrook Capital Partners. Founded in 1994, the retailer describes itself as "the No. 1 specialty beverage retailer on the West Coast," with 145 stores in California, seven in Arizona and nine in Washington state. BevMo! locations vary in size, but wine generally accounts for the largest number of SKUs, followed by spirits and beer. The company declined to provide sales figures.

Q: Are all your locations relatively back to normal and open for in-store shopping?

Kielwasser: Yes, they are. They reopened in June. We closed to the public mid-March, operated 100% online, and then reopened to the public in early June. Prior to reopening, we developed some processes in the stores to ensure the safety of both our customers and our store associates. Implementing social distancing and just making sure that shoppers easily understand how to shop safely and how to maintain social distancing. We found that a lot of customers, especially the elderly, appreciate shopping at our stores, as opposed to going to a supermarket, where social distancing is less observed. They find that at our stores they feel a little bit safer, and they're very appreciative of that.

Q: I assume you experienced an increase in e-commerce sales and delivery orders?

Kielwasser: Yes, we did. When we closed the stores to customer traffic, we adapted to an online-only model. Of course, customers also had the ability to call their orders in. But we basically changed from a mainly brick-and-mortar retailer to an e-commerce retailer. Our store associates picked the orders for customers. At the beginning of the pandemic, there were only a few stores that could offer delivery, then delivery was quickly expanded to all store locations – we had to. We offer what we call branded delivery: You shop on our website, and you can get the products basically delivered by a third party that is affiliated with us. I've just been amazed at how well all of our teams have worked overall. They've worked very hard, and they've contributed so much making sure that the company is on the right track and continues to grow. I'm very, very appreciative of that.

Q: Following the initial shelter-in-place orders, we then saw a huge spike in retail. Did you experience that as well, and are you still seeing sales that are higher than normal compared to the same period in 2019?

Kielwasser: We saw a lot of pantry-loading in March, prior to the shelter-in-place. Then it became a lot tougher when we moved to an online-only model. But sales continued to progress, not at a great rate but they continued to progress. And since we reopened, sales have been going nicely.

Q: It does not appear as if the on-premise sector is going to get back to normal anytime soon. Have wineries been trying to shift wines that had been headed into on-premise into your stores?

Kielwasser: We have been approached by wineries that were mostly on-premise or direct-to-consumer to get their items placed into our stores and have seen wines that in the past were highly allocated open up. Our customers have been very receptive, because in the past, for the most part, they would find these brands in restaurants only, and so they're happy to find them at our stores.

Q: At the start of the year, retail wine sales were fairly flat while spirits were growing, and seltzers were exceptionally popular. Have these trends continued, or have you seen any shifts in that through this pandemic period?

Kielwasser: We did see some shift. During the time when we operated just as an online-only retailer, wine progressed faster than spirits and beer. When the stores reopened, spirits and beer progressed faster than wine. Basically, the people who shop online are more likely to purchase wine than beer and spirits. The wines that have been popular are the ones that people can remember unassisted, all of the big brands: Kim Crawford, Kendall-Jackson, La Crema. The brands that people can remember and that they can write without making spelling mistakes progressed the most. Few people take the time to really visit the website and spend time searching. We saw a huge spike in the larger brands that people remember, that people know. The specialty side of the business kind of tumbled during that time. It has recovered very, very well since the stores reopened.

Q: That makes sense in terms of when people are online, they're going to gravitate to the brands they know. In terms of the return of the specialty side of the business, is that a result of the stores being back open and associates helping people find something new?

Kielwasser: No, with social distancing, you cannot really sell products to people. When customers go into a store, unless they have a lot of questions, they don't really want to be talking to too many people. They just want to get what they want and go, so we're not able to sell a lot. But as some restaurants have closed and others have pared down their wine lists, we've seen a lot of people going to our stores to find some more specialty items. They cannot get them in grocery stores, they cannot get them in restaurants. Grocery stores have a more limited assortment. We're recognized as a specialty retailer, so we're more of a destination for that now.

> It's true that when you think of maybe 10, 15 years ago, people who were 21 to 30 were gravitating toward wine. Today a lot of them are gravitating toward products like hard seltzers.

Q: And of those types of wines, what's been popular?

Kielwasser: We've seen a lot of strength with imports, sparkling wines and wines at higher price points. Napa Valley Cabernet Sauvignon, Champagne have been very popular.

Q: What about the added costs from tariffs? Has that been an issue for those higher-priced imports?

Kielwasser: We had to raise some prices, yes, when the costs went up. A lot of suppliers have actually eaten the cost of the tariffs in order to not lose market share. And for a lot of wines we really haven't seen a major increase. Perhaps it's because some suppliers believe that the tariffs are going to be limited in time. If the tariffs are here to stay long term, I think that we will most likely see a lot more price increases coming up. But overall, some prices have gone up, some have stayed the same.

Q: Another big question at the start of the year was how can wine connect with younger consumers. Is that something you've considered in your wine program, perhaps with the SKU assortment in the stores, to try to appeal to these types of consumers?

Kielwasser: It's true that when you think of maybe 10, 15 years ago, people who were 21 to 30 were gravitating toward wine. Today a lot of them are gravitating toward products like hard seltzers. And from an assortment standpoint with wine, we've done a lot of work to make the assortment more relevant to these customers by bringing in wine-based seltzers and other alternative packaging. It's been slow, but we're making progress every day.

Q: What's a typical day for you? Are you based in one central location? Are you on the road quite a bit looking for new wines?

Kielwasser: We work out of an office located in Concord, northeast of San Francisco; however, our office is currently closed. Right now, we work from home and have been doing that for a while. We're not really traveling right now because of the pandemic. But normally I'd be spending quite a bit of time on the road visiting stores, visiting wineries and visiting the competition.

Q: I always like to ask buyers when I get a chance: How does a winery get a placement in your stores?

Kielwasser: The wines need to be really adapted to our customer base. We evaluate a lot of wines all the time, and we take a very consumer-centric approach. The wine also has to be priced right; there has to be the right amount of support around the wine. Sometimes we look for ratings to support consumer demand. We also evaluate different things, such as is the programming there, the promotional support, and POS (bottle neckers, shelf talkers, case cards). Impactful presentation decks are important. They need to be personalized and customized: Be creative, tell a good story. Make sure the offer is right; integrate data, such as Nielsen or IRI trends, depletions or scan data. Overall, what we need from suppliers is collaboration and communication. Be proactive; pay attention to detail; visit stores; recommend the right items for the right stores.

Q: Do you try to have more local wines in regions where there's a wine industry?

Kielwasser: Absolutely. That's very important. For instance, at the stores we have in Sonoma County, we have an assortment of wines from Sonoma there. Customers who live there and also those who may be traveling through the area appreciate the ability to find these wines at these stores. Same is true in Washington and other parts of the state of California.

Q: Can you discuss your private-label or store-exclusive program?

Kielwasser: We have a number of private-label wines that we sell, that we've been selling for quite some time. We continuously look at potentially new items, and we continuously bring in new items for sale. For us it's very important that the wines are really adapted to our customer base, represent a good value and also deliver good quality. We have some items that are full private label; they're made just for us. And there are some wines that are made by wineries, but they are made exclusively just for us. I would say about 15% to 20% of our wine SKUs are private labels or exclusives.

> We're going to continue to invest in e-commerce. And I believe that it's here to stay.

Q: With the abundance of wine and grapes on the market, do you see that as an opportunity to expand private labels?

Kielwasser: I think it's an opportunity to get products at better costs and to drive volume sales. You know it's cyclical, right? There are always times when there's going to be maybe an abundance of wines from certain areas. And like right now it's California, maybe tomorrow it's going to be wine from another country. However, it's true that the impact of the pandemic has made the supply even more plentiful today, worldwide.

Q: For the rest of the year, into 2021 and perhaps beyond, are you planning on building and expanding e-commerce and delivery sales? Do you think that's going to be a trend that sticks around, or do you think it's more of a short-term phenomenon?

Kielwasser: I think it's here to stay. We're going to continue to invest in e-commerce. And I believe that it's here to stay. We've stopped the physical tastings in the stores and instead we have put together a program where every week on Fridays, we send an email blast to our customers with a couple of wines and a couple of spirits to taste. We provide these to them at very attractive prices just for one day only to drive trial and to get people to taste the wines. The response has been very good, and we're seeing basically an uptick in demand for these items after the promotion.

Q: What do you think might be popular in terms of trends or regions in 2021?

Kielwasser: What we have seen is a very strong demand for wines from New Zealand. Wines from New Zealand that sell are mostly Sauvignon Blanc. We have also seen spikes in sales for rosés from Provence, and domestic Sauvignon Blanc has also been going very, very well. Sakes have been going very well; we've seen vermouth sales increase quite a bit, mostly driven by the mixology movement as people are making their cocktails at home. Domestic Pinot Noir, both from California and Oregon, has grown fast.

Q: How about wine in cans?

Kielwasser: Yeah, it's a really strong segment, and it's getting stronger. The most important thing is for suppliers and distributors to keep the products fresh and turning because of the limited shelf life in a can.

Q: With that in mind, are you keeping the number of wine-in-can SKUs fairly limited?

Kielwasser: We've increased the number of canned SKUs over the past year. We've gone from about 30 to about 50 items in a year. The brands have remained relatively stable. A year ago, we had maybe 15 brands; today we have 17. And we've seen some nice progressions with cans overall. We've actually seen progression with small formats (187 ml and 375 ml) overall really over-indexing total wine sales. Perhaps because people today can't go to a bar or a restaurant after work to have a glass of wine. So small format really makes it easier for people to just open up a can or a small bottle and have a glass without having to open up a full bottle, a regular-sized bottle.

We've expanded our assortment of 375 glass bottles over the past six months. It's mostly the brands that were already in the stores as a 750. We decided to kind of pick and choose items that we believed our customers would be really interested in. And we tried to adopt an approach that was very diverse across price points and varietals, and we've had very good results with that. Box wines have also been doing very well; 3L box and 5L box have been going very fast. Some people are just driven toward the value aspect that these packages offer. For some customers, quantity has become more important. And that's why they're buying box wines and magnums.

— Andrew Adams

Upcoming Events

Aug. 26-27: Central Coast Insights

The economic and financial conference for the wine industry of California's Central Coast has moved to an online format to be held over two half-day webcasts. CentralCoastinsights.com

Sept. 15: Wine Industry Technology Symposium

The Wine Industry Technology Symposium will be held online and is focused on helping the wine industry successfully deploy technology solutions. wbwits.com

Sept. 15-16: Wine Industry Financial Symposium

The Wine Industry Financial Symposium will be held online and is the premier event covering the financial, business and strategic issues of the wine industry. Attendees to the financial symposium can also attend sessions of the Wine Industry Technology Symposium, which is scheduled to occur concurrently on Sept. 15. wineindustryfinancial.com

Nov. 10: Winejobs.com Summit

The Winejobs.com Summit will be held online this year. The event is intended to help those working in winery human resources connect with their peers and discuss the hiring, retention and training of employees. winejobshrsummit.com

Jan. 26-29, 2021: Unified Wine & Grape Symposium

North America's largest wine industry conference and trade show will be held online. unifiedsymposium.org

March 16-18, 2021: Eastern Winery Exposition

The largest conference and trade show focused on the wine industry in the eastern United States, the event is currently scheduled to be held at the Onecenter Convention Center in Syracuse, N.Y. easternwineryexposition.com

March 31, 2021: WiVi Central Coast

WiVi Central Coast has been postponed from August 2020 to next year. The event is the premier wine and viticulture symposium and trade show for the wine industry of California's Central Coast. WiVi takes place in Paso Robles, Calif., and features nearly 200 exhibits and hundreds of new products, product demonstrations, educational seminars and networking opportunities for winemakers, grape growers, winery owners and managers. WiviCentralCoast.com