



CONSUMER DIRECT

U.S. DTC Wine Sales Trends

May 2019

EXECUTIVE SUMMARY

IN THIS REPORT

Benchmarks & Best Practices for Consumer Direct Wine Sales

For more than a decade, direct-to-consumer (DTC) wine sales have been the fastest growing segment of the U.S. wine industry, fueling the creation and success of thousands of small and mid-sized wineries across the country.

Relevant benchmarks and best practices help growth-oriented wineries assess opportunities and identify proven tactics for increasing DTC wine sales.

That's why we created the **VinQuest 2019 Consumer Direct Wine Sales Report**.

About VinQuest 2019

In partnership with the **Wine Industry Network**, leading winery associations and 110 wineries across the country, VinQuest 2019 measures industry averages, identifies best practices and provides insight to help wineries better manage their tasting room, wine club, and online sales.

Conducted by VinterActive LLC since 2005, VinQuest research has become one of the wine industry's largest and most widely used sources of consumer direct sales information.

Wine Sales Impact

This year's VinQuest research shows DTC wine sales are responsible for the majority of revenue generated by small U.S. wineries producing less than 10K cases/yr, with the smallest wineries deriving nearly 70% of total revenue from DTC wine sales in 2019.

Channel Sales Mix

Tasting room and wine club sales continue to drive 80% of total DTC sales in 2019. Wine clubs outperformed tasting rooms as the primary driver of DTC revenue.

Slower Growth Predicted

DTC sales growth of 13% in 2017 slowed to 7% in 2018, while forecasts of 19% sales growth did not materialize. Growing competition for visitor traffic has prompted DTC wineries to revise their forecasts downward to 11% growth in 2019.

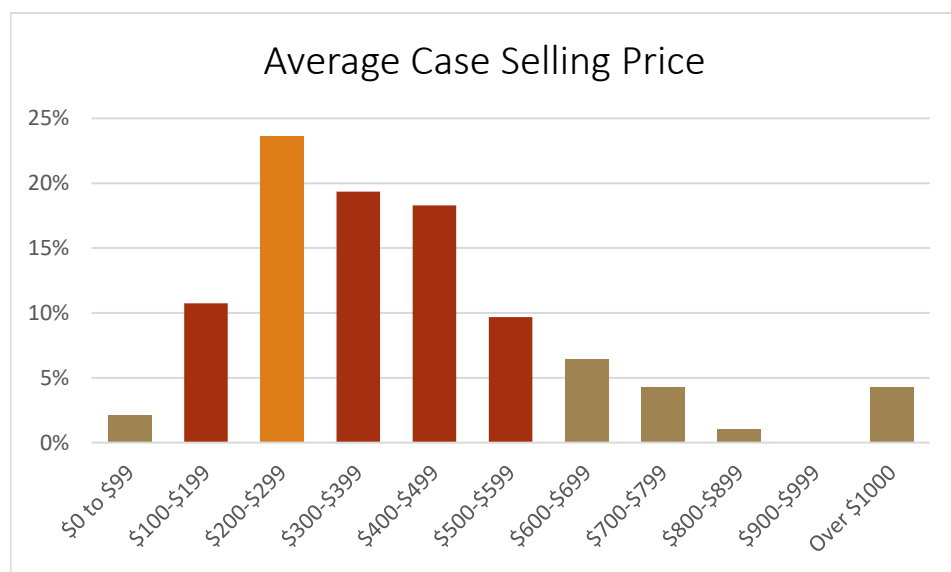
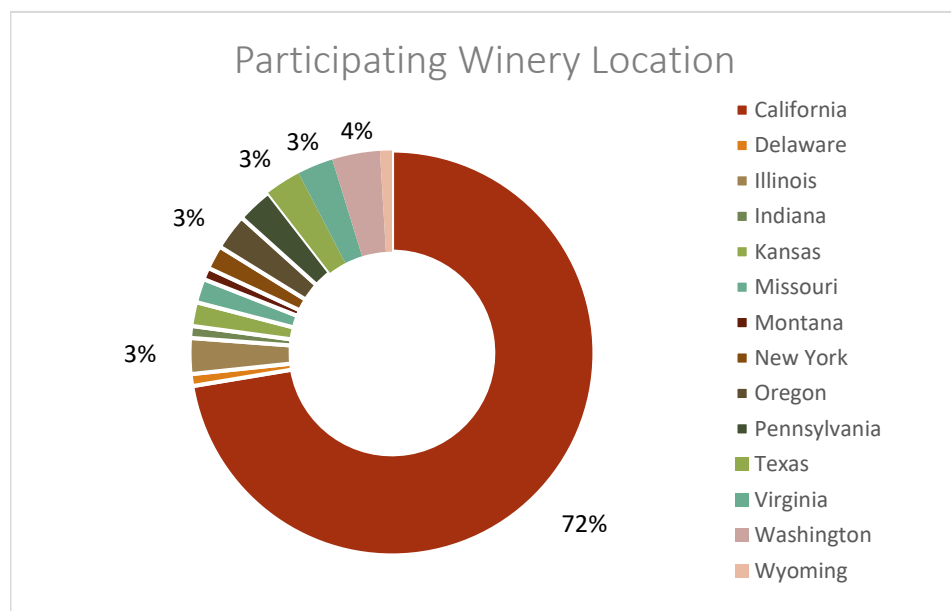
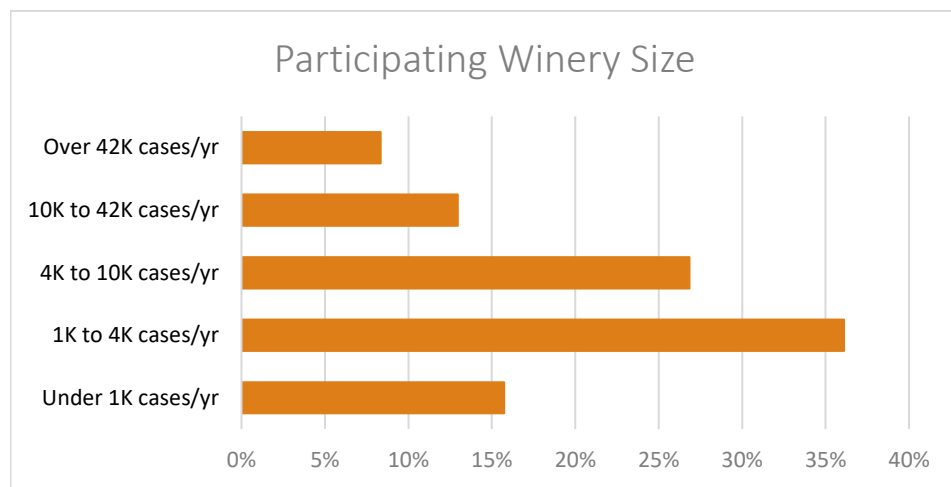
Best Practices for 2019

Top-performing U.S. wineries are more than doubling their DTC sales growth compared to average by focusing on sales training, frequent customer outreach and premium service/product offerings.

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About VinQuest 2019



Research Methodology

The **VinQuest 2019 U.S. DTC Wine Sales Survey** was conducted by VinterActive LLC in conjunction with the Wine Industry Network from December 2018 through February 2019.

Open to U.S. wineries willing to exchange consumer direct sales data for research results, invitations to complete the 30-question online survey were sent to individual wineries and members of participating winery associations, including:

- Atlantic Seaboard Wine Association
- Lake County Winery Association
- Mendocino Winegrowers
- Paso Robles Wine Country Alliance
- Garden State Wine Growers
- Oregon Wine
- Sonoma Vintners
- Temecula Valley Winegrowers
- Texas Wine & Grape Growers
- Wine America
- Wine Road Sonoma County

Survey Participants

A total of 110 wineries from 14 U.S. states completed the VinQuest 2019 survey.

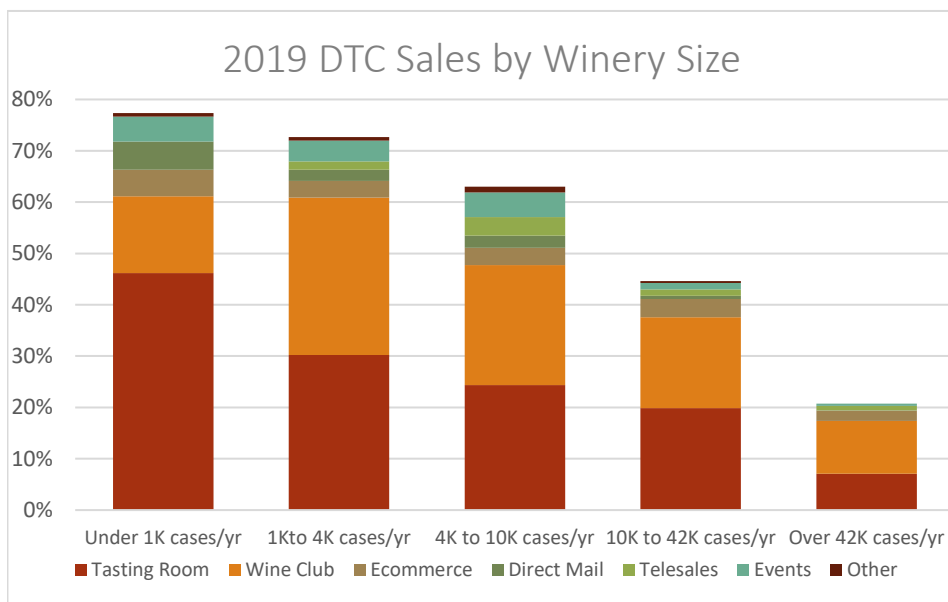
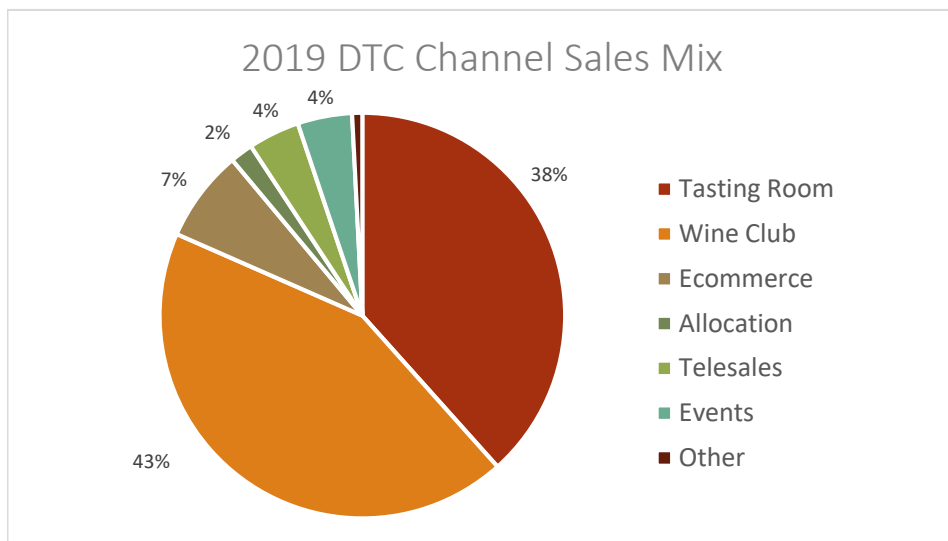
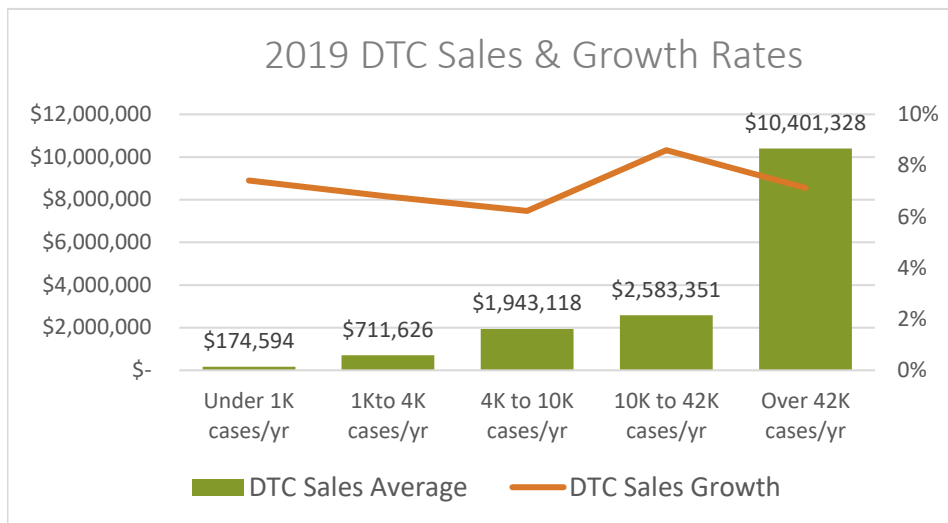
Winery participants reflected the geographic focus of recruiting, resulting in a concentration of Sonoma County and Napa Valley wineries. California vintners were well represented, comprising 72% of all survey responses.

Case production ranged from fewer than 200 cases to 500,000 per year with the majority classified as small wineries, making fewer than 10,000 cases per year.

The median size of VinQuest 2019 wineries was 3500 cases/yr, similar to the U.S. median. The average size of participating wineries was somewhat larger than national averages due to participation by several mid-sized and larger national brands.

The average selling price for VinQuest 2019 wineries – \$34 per bottle – is well within the range reported elsewhere for U.S. consumer direct wine shipments.

DTC Channel Benchmarks



Direct Sales Performance

Although DTC sales comprise less than 10% of U.S. total wine sales, consumer direct selling is the primary revenue generator at the majority of U.S. wineries.

- Wineries making < 1K cases/yr average \$175K/yr in DTC revenue, 77% of sales.
- Wineries making 1-4K cases/yr average \$712K/yr in DTC revenue, 71% of sales.
- Wineries making 4K-10K cases/yr report \$1.9M average DTC revenue, 59% of their total.
- Wineries making 10K-42K cases/yr report \$3.4M average DTC sales/year 45% of total revenue.
- Wineries making over 42K cases/yr report \$10.4M average DTC sales/year 21% of total revenue.

The median U.S. winery in this survey reported \$765K total DTC sales, 75% of their overall wine sales.

Direct Sales Mix

Wine club and tasting room sales remain the predominant methods of consumer direct sales in 2019, comprising 81% of total DTC sales according to survey participants.

Wine clubs continue to edge out tasting rooms as the primary driver of DTC sales.

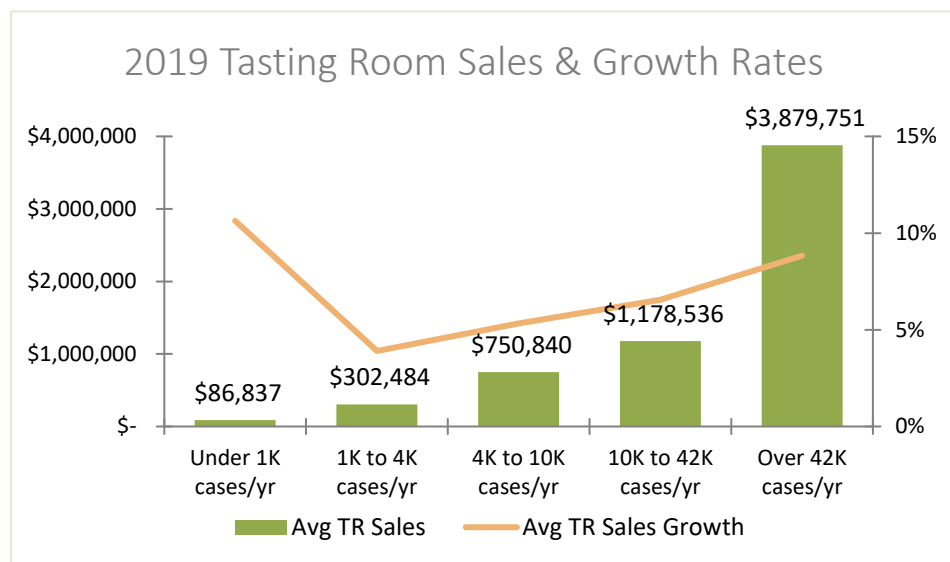
Ecommerce and events represent a significant source of consumer direct wine sales, particularly for smaller wineries.

Direct Sales Growth

Mid-sized consumer direct wineries were the fastest growing in 2019.

- Wineries making < 1K cases/yr reported 7% DTC sales growth.
- Wineries making 1-4K cases/yr reported 7% DTC sales growth.
- Wineries making 4K-10K cases/yr reported 6% DTC sales growth.
- Wineries making 10K-42K cases/yr reported 9% DTC sales growth.
- Wineries making > 42K cases/yr reported 7% DTC growth.

Tasting Room Benchmarks



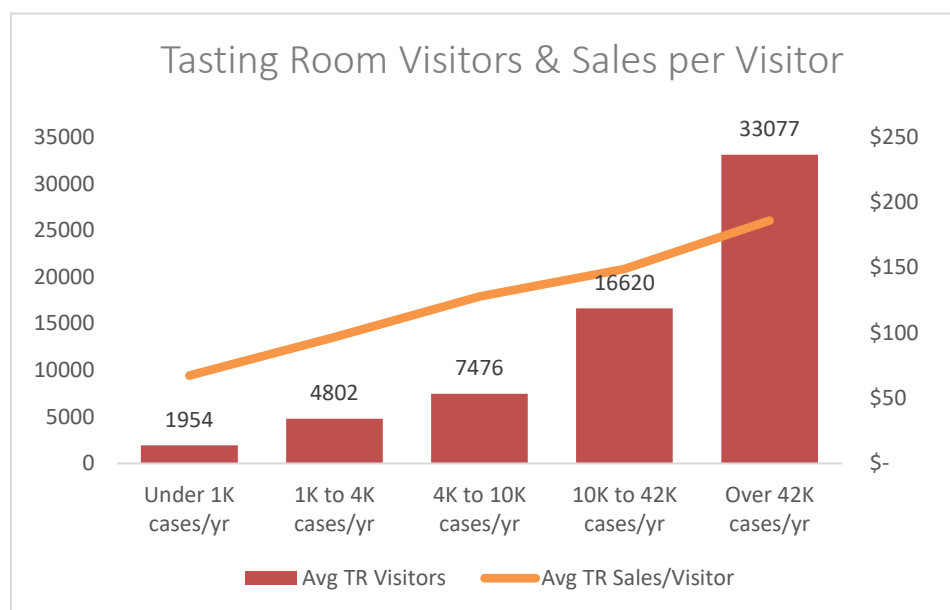
Tasting Room Sales

Tasting room sales continued to grow and remain the epicenter of consumer direct sales for many U.S. wineries in 2019.

95% of VinQuest wineries reported tasting room revenue in 2019 with a median value of \$405K/yr.

The average annual tasting room sales reported in this survey ranged from \$87K/yr at wineries making < 1K cases/yr; up to \$3.9M/yr at wineries producing more than 42K cases/yr.

Tasting room sales growth averaged 6% or more for wineries producing 1K-42K cases/yr, with the smallest and largest wineries reporting the fastest growth.



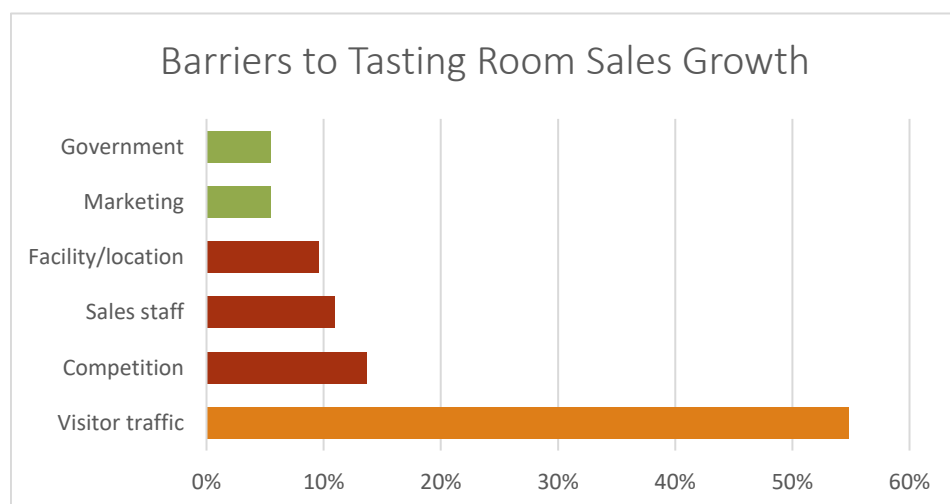
Tasting Room Visitors

The median number of annual tasting room visitors in this year's survey was 4300 with median sales of \$88/visitor.

Average tasting room traffic reported by participants ranged by 1,954 visitors/yr at wineries making < 1K cases/yr; up to 33K annual visitors at wineries producing more than 42K cases/yr.

Larger producers reported significantly better sales per visitor with wineries making more than 42K cases/yr averaging \$190/guest compared to the \$67/guest reported by the smallest wineries.

Average tasting room traffic and sales varied significantly based on location.



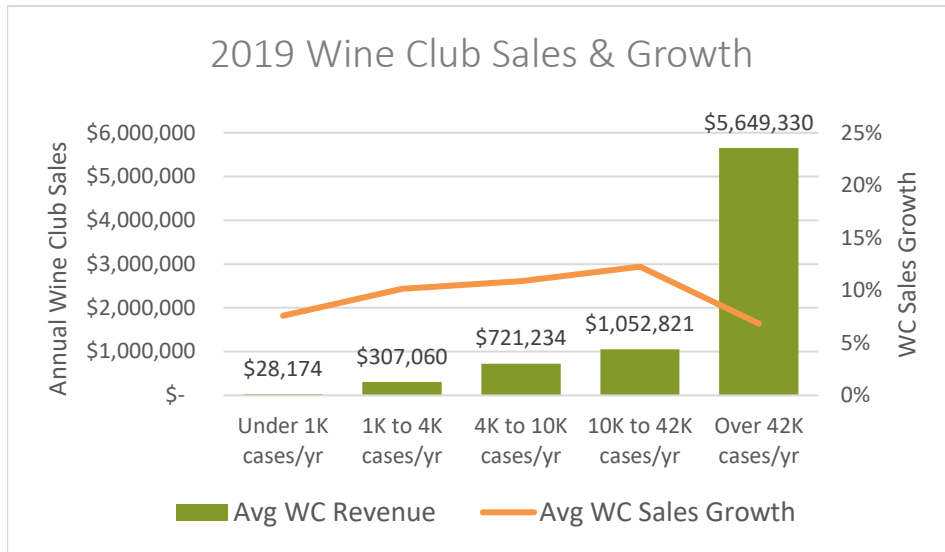
Barriers to Tasting Room Sales

Visitor traffic is the primary barrier to tasting room sales growth according to participating wineries.

Competition for visitors between wineries, microbreweries, distilleries, and cannabis-themed businesses was cited by a growing number of participants.

Concerns such as sales training and facility limitations were also cited as barriers to tasting room growth by many wineries in 2019.

Wine Club Benchmarks

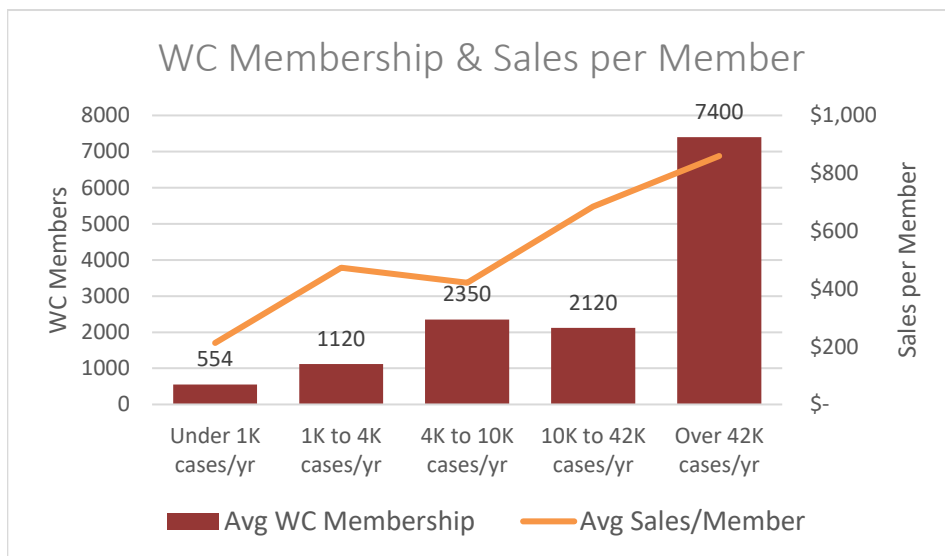


Wine Club Sales

83% of VinQuest wineries reported wine club programs in 2019 with median sales of \$315K/yr. Wine club sales grew nearly twice as fast than tasting room sales last year, making wine clubs an attractive option for many U.S. wineries.

The average annual wine club sales reported in this survey ranged from \$28K/yr at wineries making < 1K cases/yr; up to \$5.6M/yr at wineries producing more than 42K cases/yr.

Wine club sales growth averaged 10% or more for wineries producing 1K-10K cases/yr, with smaller and larger wineries reporting an average of 6% wine club growth in the last 12 months.



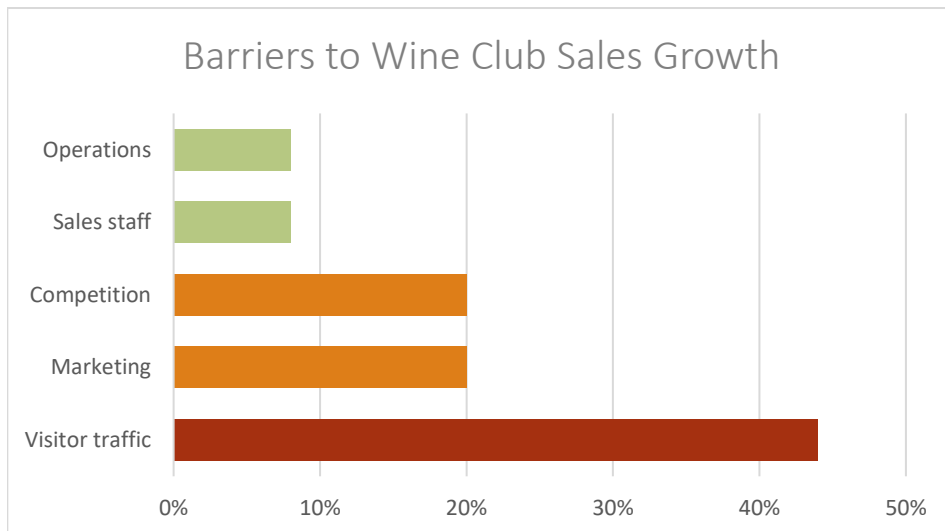
Wine Club Membership

The median size of wine clubs reported by VinQuest wineries was 750 members with sales of \$416 per wine club member.

Average wine club size reported by participants ranged from 554 members at wineries making < 1K cases/yr; up to 7400 members at wineries producing more than 42K cases/yr.

Larger producers reported significantly better sales per wine club member, with wineries making > 42K cases/yr averaging more than \$800/member compared to \$210/member reported by the smallest wineries.

Average wine club membership and sales varied significantly based on location.



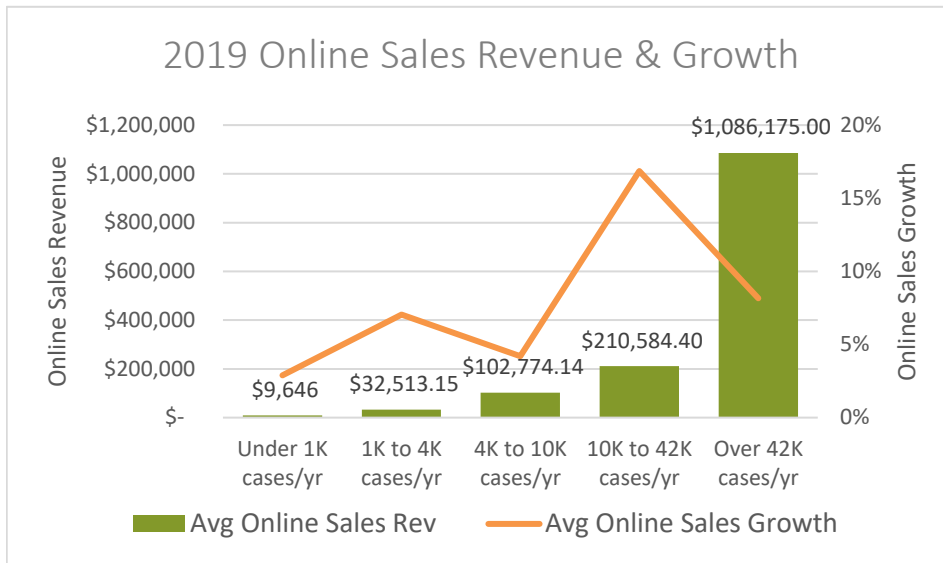
Barriers to Wine Club Sales

Visitor traffic was the primary barrier to wine club growth reported by VinQuest participants in 2019.

Ineffective marketing and growing levels of competition were cited as significant barriers to wine club growth.

Concerns about sales staff training and wine club operations were also mentioned by a smaller number of wineries.

Ecommerce Benchmarks

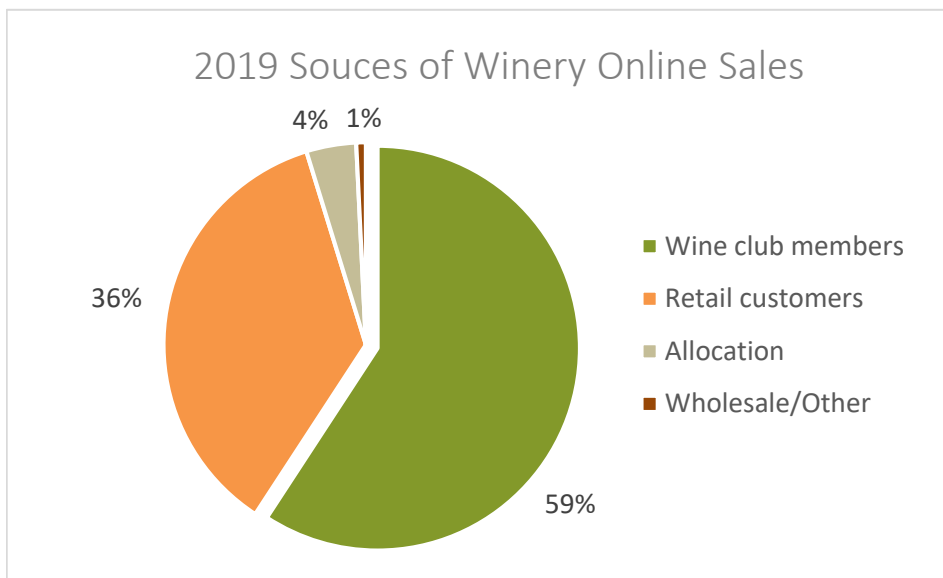


Online Sales Totals

Although 74% of U.S. wineries report that ecommerce is part of their DTC mix, online sales remain a small component of most winery's sales in 2019.

- Ecommerce averaged less than \$10K and generated 7% of DTC sales at wineries making < 1K cases/yr.
- Ecommerce averaged \$32K/yr and generated 5% of DTC sales at wineries making 1-4K cases/yr.
- Ecommerce averaged \$102K/yr and comprised 6% of total DTC sales at wineries making 4-10K cases/yr.
- Ecommerce averaged \$211K/yr and comprised 8% of total DTC sales at wineries making 10K-42K cases/yr.
- Ecommerce averaged \$1.1M/yr and comprised 10% of total DTC sales at wineries making > 42K cases/yr.

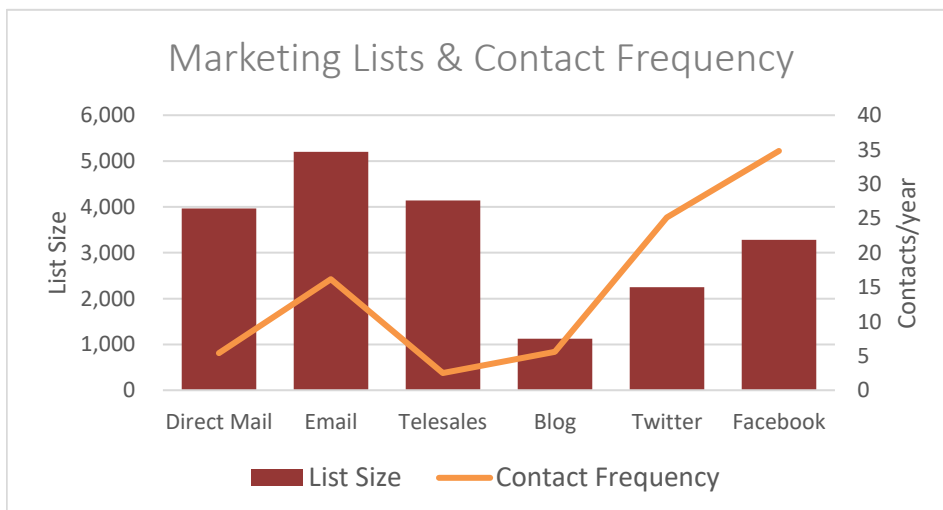
Average online sales and growth rates varied significantly based on location.



Sources of Online Sales

For a growing number of wineries, ecommerce is evolving to become a tool primarily for serving existing customers, rather than a way to reach new customers.

Wine club members and allocation customers drove 63% of the ecommerce revenue reported by VinQuest wineries. Only 36% of online revenue was driven by retail customers in 2018. The balance of online sales was driven by wholesale accounts and others.



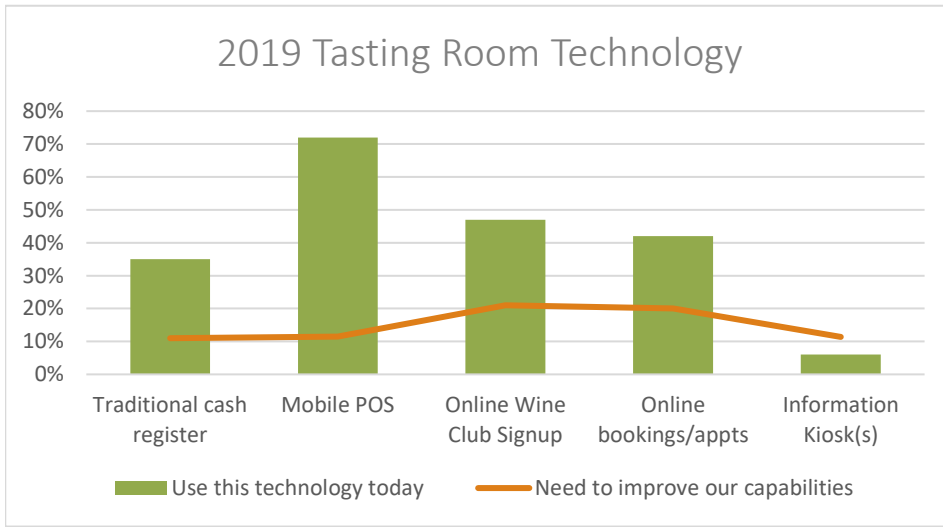
Online Marketing

Direct marketing is an online activity for most U.S. wineries. 61% report they use email marketing and 63% report social media campaigns, compared to only 44% using direct mail and 32% using telesales.

Average email list size was 5202 names with 16 contacts per year. Survey participants also reported an average of 3282 Facebook followers with 35 contacts per year.

While direct mail and telesales lists average 4000 names per winery, they are typically used only 2-5 times per year.

DTC Technology Profile

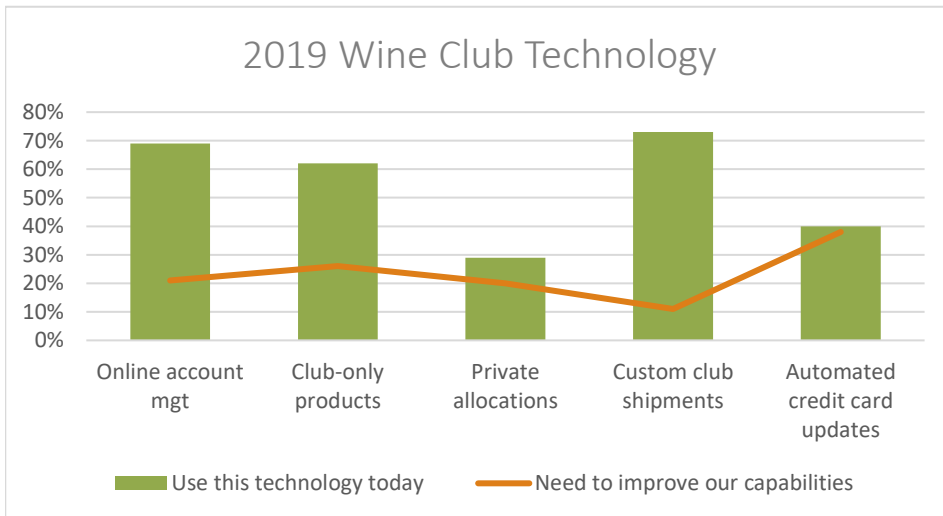


Tasting Room Technology

Survey participants report their tasting rooms rely on a mix of traditional and emerging technologies:

- 35% of participating wineries use traditional cash registers.
- 72% are using mobile POS technology.
- 47% offer online wine club signup.
- 42% have adopted online bookings/appointment systems.
- 6% deploy information kiosks.

15% of responding U.S. wineries are looking to improve their tasting room technology in 2019. Technology use and plans for upgrades vary significantly based on winery location.

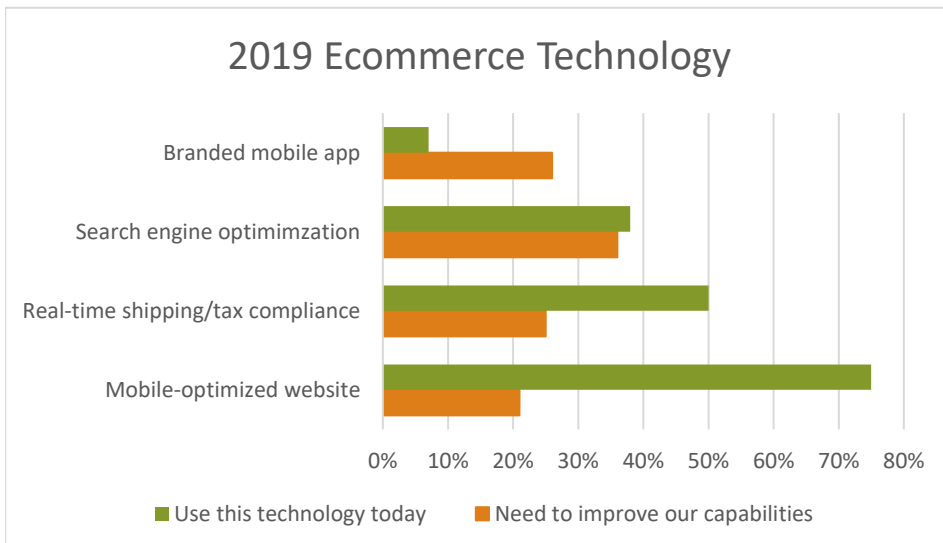


Wine Club Technology

The majority of wineries operating clubs report they are leveraging specialized wine club technology including:

- 69% offer online account management to wine club members.
- 62% offer members-only products.
- 29% offer private allocations.
- 73% offer custom club shipments.
- 40% automate credit card updates.

25% of wineries with clubs are looking to improve their wine club technology in 2019, with the most need for automated credit card updates.



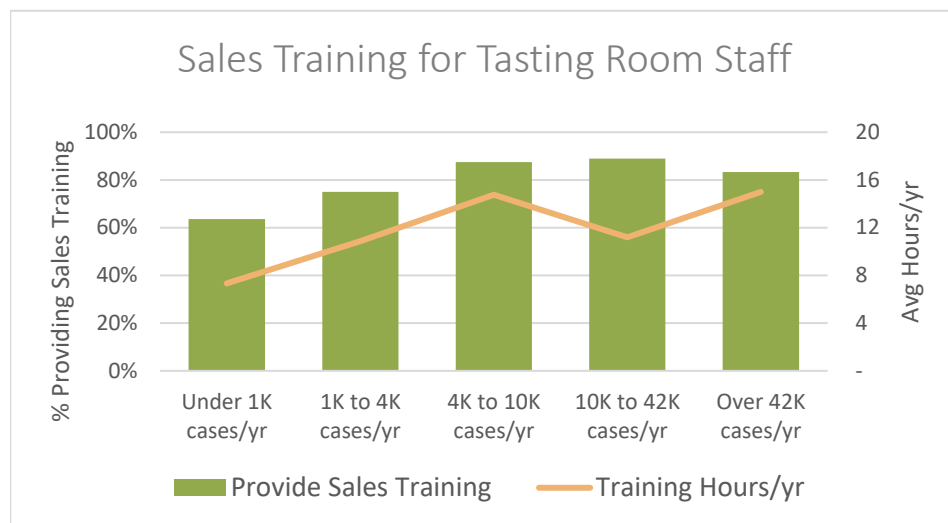
Ecommerce Technology

The majority of wineries selling online report they are leveraging ecommerce technologies including:

- 75% use a mobile-optimized website.
- 38% use Search Engine Optimization.
- 50% use real-time compliance.
- 7% have a branded mobile app.

20% of U.S. wineries selling online look to improve their ecommerce technology in 2019, with the greatest focus on search engine optimization and branded mobile applications.

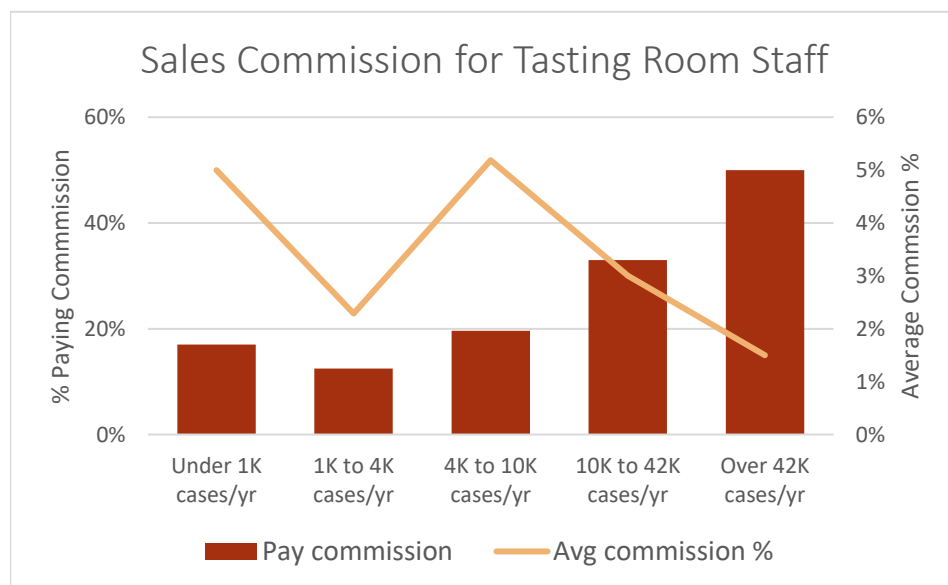
Sales Training & Incentives



Sales Training

The majority of U.S. wineries report they provide an average of 8-16 hours per year of sales training to their staff.

- 64% of wineries making < 1K cases/yr, report training their sales staff an average of 7 hours/yr.
- 80% of wineries making 1-10K cases/yr report training their sales staff an average of 11-15 hours/yr.
- 89% of wineries making 10-42K cases/yr reported training their sales staff an average of 11 hours/yr.
- 83% of wineries making more than 42K cases/yr report they offer sales staff training that averaged 15 hours/yr.

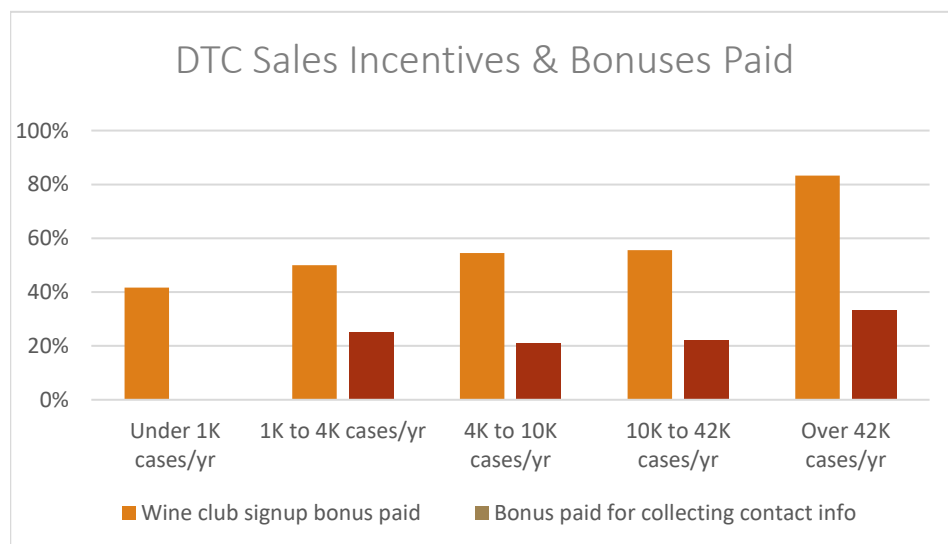


Wineries conducting the most sales training saw the greatest benefit, tallying twice the DTC sales growth reported by wineries offering fewer hours of training.

Sales Commissions

Sales commissions averaging 3% are paid to tasting room staff at 31% of U.S. wineries participating in this research.

- 17% of wineries making <1K cases/yr pay sales commission averaging 5%.
- 13% of wineries making 1-4K cases/yr pay sales commission averaging 2.3%.
- 20% of wineries making 4-10K cases/yr pay sales commissions averaging 5.2%.
- 33% of wineries making 10-42K cases/yr pay commissions averaging 3%.
- 50% of wineries making > 42K cases/yr pay sales commissions averaging 1.5%.



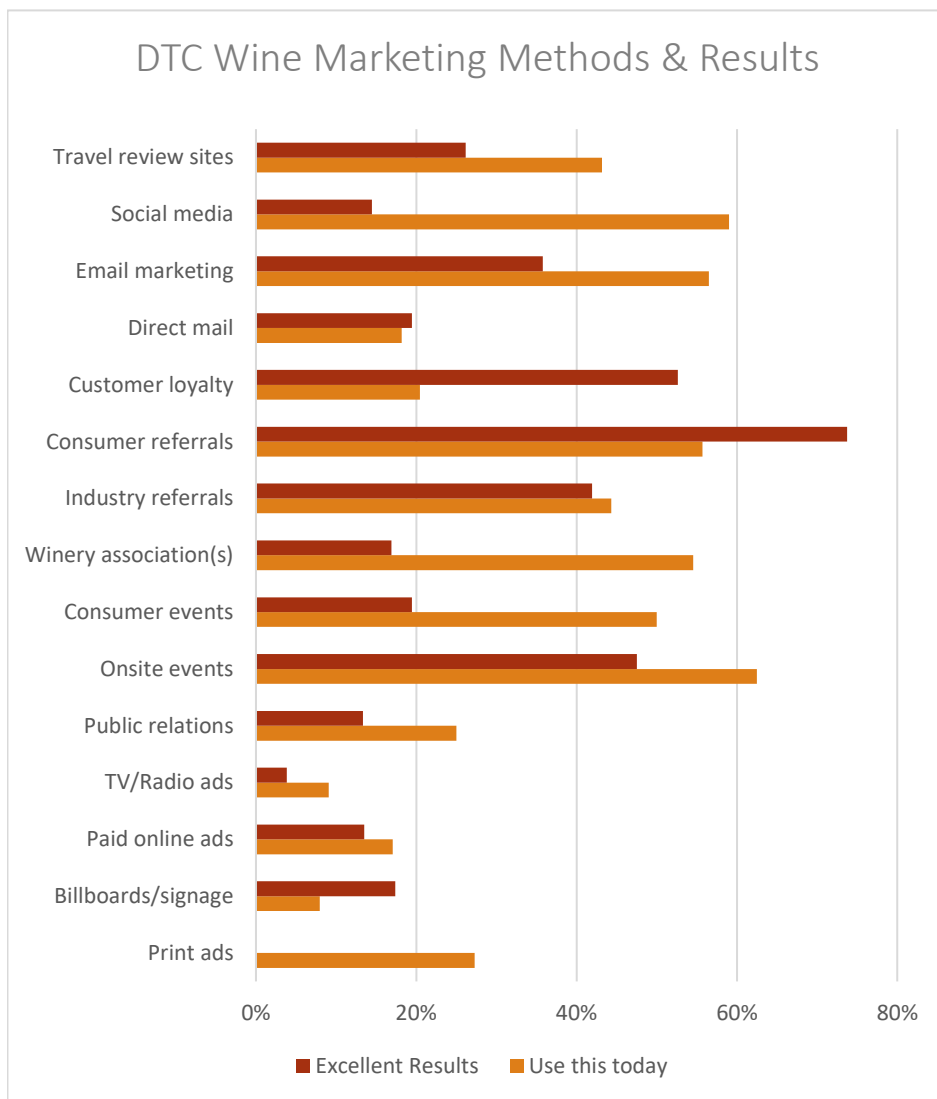
Other Sales Incentives

Half of the wineries surveyed offered bonuses for wine club signup, and some vintners are paying bonuses to staff who collect customer contact information.

For wineries offering clubs, 42% of the smallest wineries paid cash bonuses for signing up a new member, compared to 83% of the largest wineries. Wine club bonuses averaged \$20 per member.

Only 15% of wineries report paying cash bonuses averaging \$3.70/customer for collecting contact information in 2019.

DTC Sales & Marketing



Marketing Tactics & Results

The VinQuest 2019 survey asked wineries to report on their use and effectiveness of a broad range of wine marketing methods.

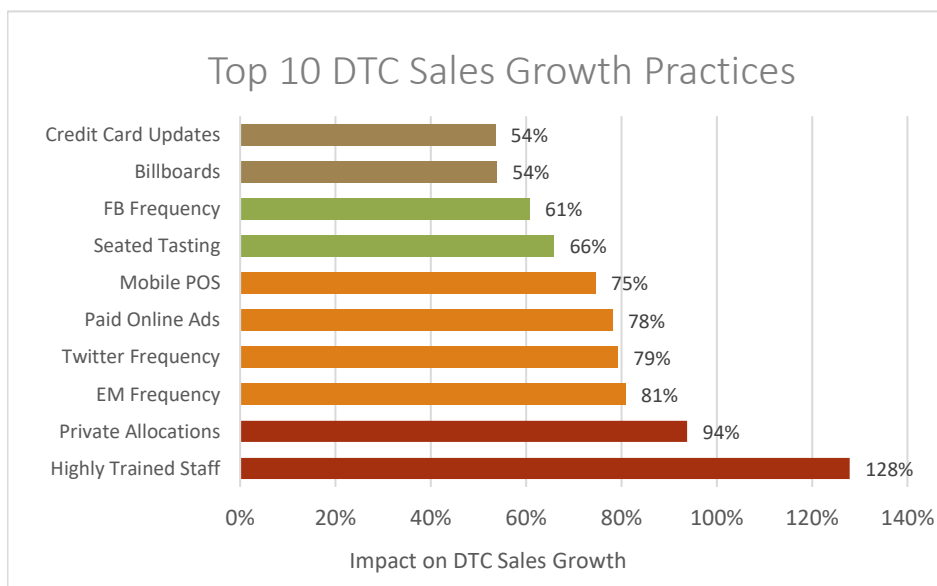
The resulting benchmarks reveal that the average U.S. winery uses 5-6 marketing methods with varying degrees of success.

Among marketing tactics used by a majority of U.S. wineries, the most effective were:

- Consumer referrals – used by 56% of wineries with excellent results reported by 74%.
- Onsite events – 63% of wineries host onsite events with 48% reporting excellent results.
- Email marketing – used by 56% of wineries with excellent results reported by 36%.

One of the most promising tactics reported by DTC leaders was the use of customer loyalty programs – used by 21% of wineries with 50% seeing excellent results.

The fastest growing DTC wineries used an average of 5.2 marketing methods per winery while the slowest growing DTC wineries average of 6.6 marketing methods.



Impact on DTC Sales Growth

In total, the VinQuest 2019 survey asked wineries about their use of 46 sales and marketing tactics. By comparing the DTC sales growth of wineries that use each tactic vs. wineries that don't, the relative impact of these tactics can be assessed.

Based on this analysis, above average training hours and private allocations made the biggest impact on DTC sales growth with wineries using these tactics reporting 100% more growth than average.

Wineries using high-frequency email/social media marketing and paid online ads reported their DTC sales grew more than 80% faster than average.

While correlation is not causation, tactics associated with success offer valuable insight for wineries seeking to grow their DTC sales.



Conclusions

While consumer direct wine sales account for only 10% of U.S. total wine sales, the DTC channel is the lifeblood of U.S. wineries, driving 63% of revenue for wineries participating in VinQuest 2019.

Faced with growing competition for visitors, the double digit growth rates experienced by many U.S. wineries declined in 2018 and are forecast to grow at a slower rate in 2019.

In response, the nation's top DTC performers have doubled down on customer engagement, members only products, and sales training.

Intensive sales training, high frequency customer messaging and limited availability wines were all winning tactics for U.S. wineries in 2019.

To deliver an elevated customer experience, today's DTC leaders have standardized on sales technologies that recognize customers online or face-to-face. Mobile-optimized solutions combining POS, wine club and ecommerce set the standard for success in 2019.

Despite lower sales forecasts on average, savvy wineries investing in sales training and frequent customer engagement can expect to outperform their competition in 2019 and beyond.

Strong underlying consumer demand coupled with insight gained from industry leaders can be leveraged by any winery seeking to maximize their share of the industry's fastest growing sales channel.

About VinterActive

Established in 2002, VinterActive LLC is a wine industry leader in the research and practice of consumer direct sales and marketing.

Wine Industry Research

VinterActive research is widely used by U.S. wineries, industry associations and policy-makers seeking useful insight into consumer behavior, customer preferences, and industry best practices.

Wine Marketing

VinterActive's proprietary techniques for building long term customer relationships and increasing tasting room, wine club and online sales have proven effective for both large and small wineries across the U.S.

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