



2022 Direct-to-Consumer Wine Survey Report

Virtual Event

June 2022



Featured Speakers



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CEO, Pix

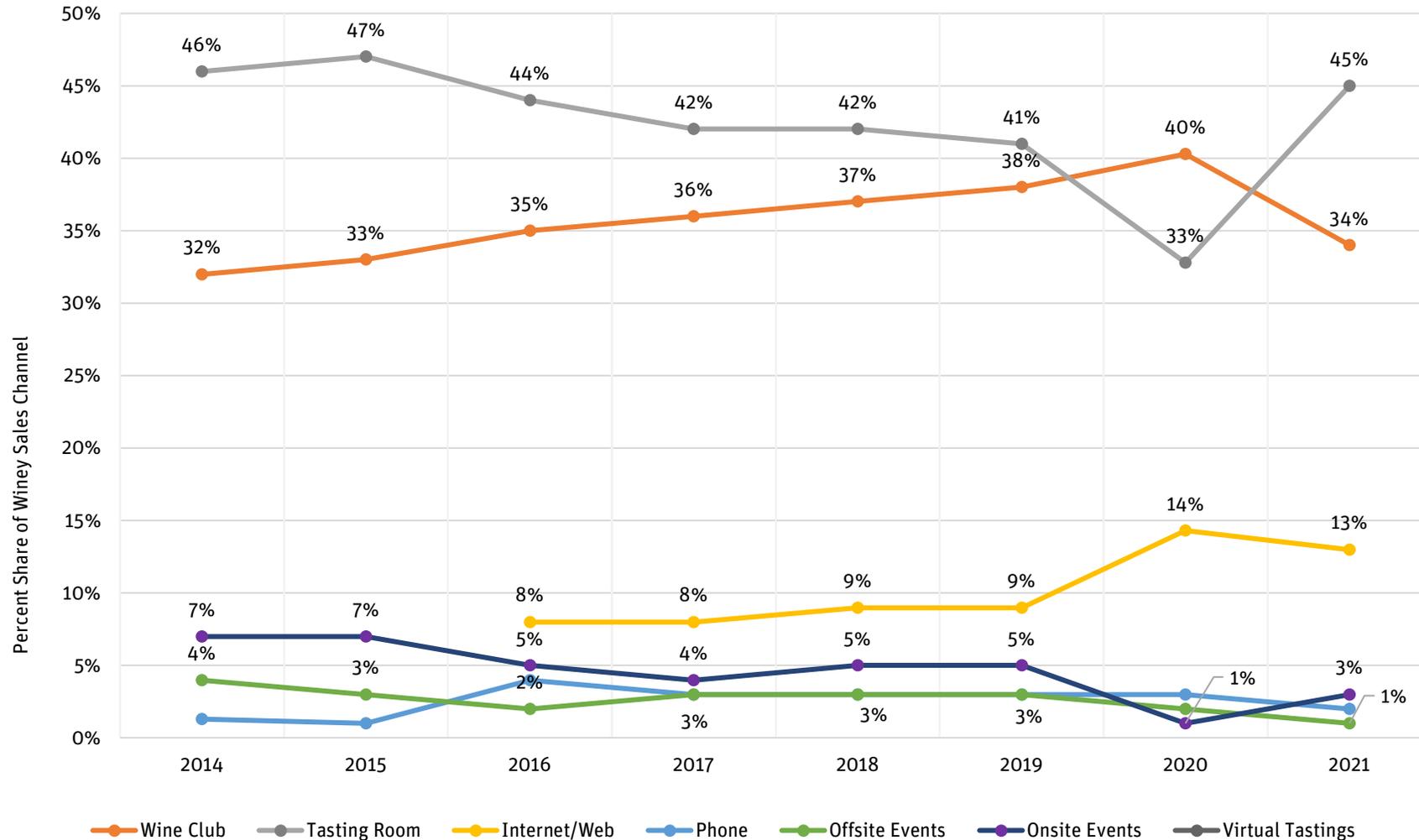


Leah McNally
Senior ECommerce
Manager, Ste. Michelle
Wine Estates

Housekeeping

- The presentation will begin shortly.
- To hear the presentation clearly, please turn up the volume on your computer.
- To turn on the closed captioning feature for today's webinar, please click the Live Transcript button on the below Zoom bar.
- Please feel free to submit questions using the Q&A function.
- We will send a link to the recording after the webinar.

Channel Breakout of Direct Sales for the Average Winery



With tasting rooms restricted during 2020, events and tasting room sales were hurt. Club, phone and several new outreach efforts did well in 2020 while Internet sales exploded.

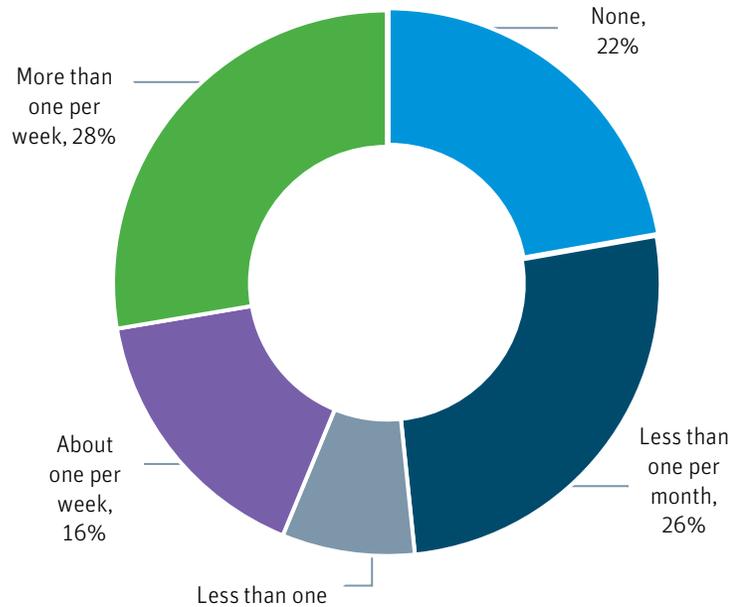
In 2021, Internet sales proved resilient, shrinking 1% but holding ground. Club sales dropped, relatively speaking, while tasting room sales benefited from new practices and exceeded their pre-COVID share of direct-to-consumer (DTC) sales.

Virtual Tastings Took Flight in 2020 and Crashed in 2021

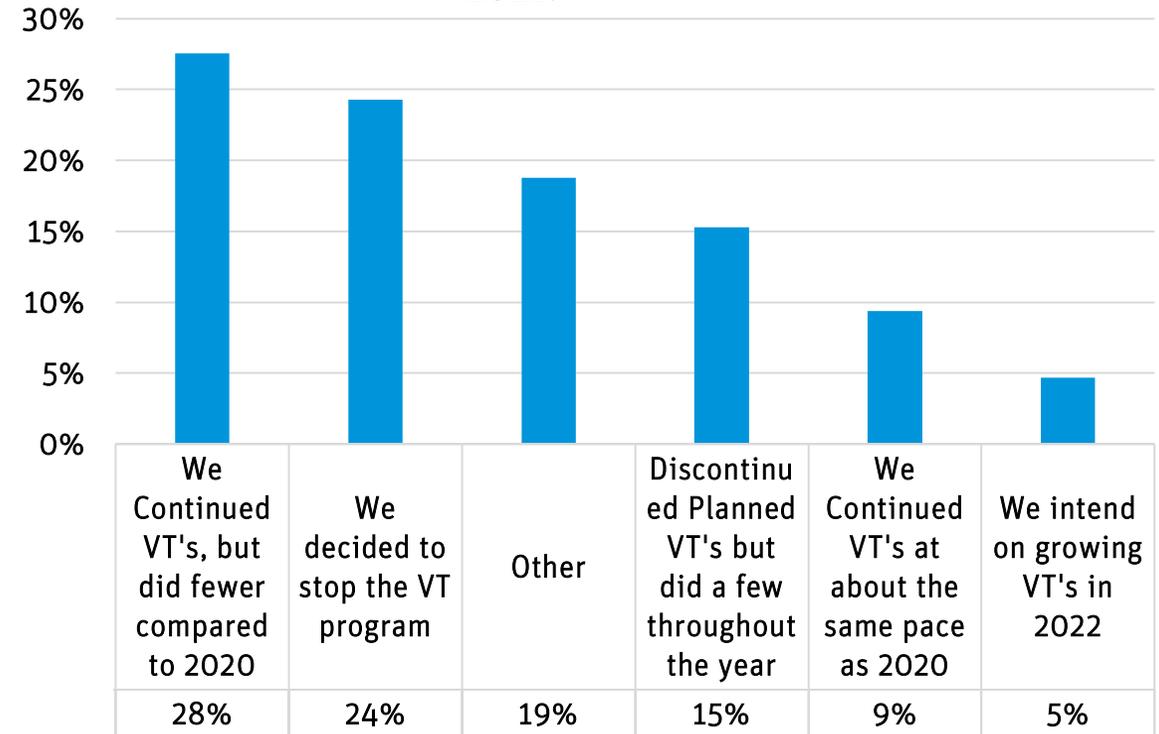
In 2020, the industry responded to shelter-in-place orders with digital tastings. Forty-four percent hosted virtual tastings once a week or more, and only 22% did not take the leap.

By 2021, with Zoom burnout, 67% of wineries slowed or discontinued virtual tastings. But not everyone took that approach. Fourteen percent continued or grew virtual programs, with many citing success in corporate tastings and club signups.

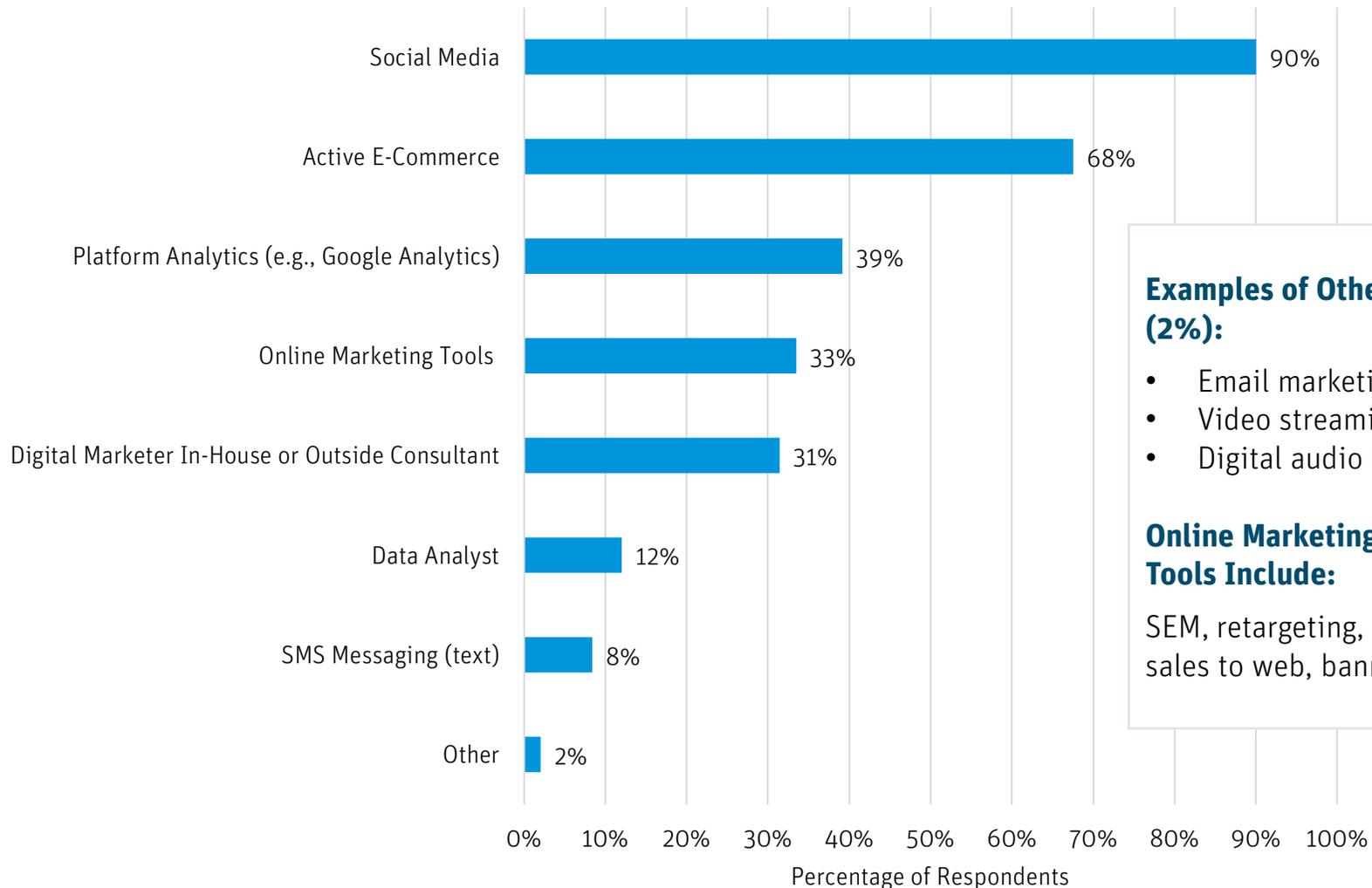
How often did you run a digital tasting in 2020?



Did your winery continue virtual tastings in 2021?



What Digital Platforms Do You Employ?



Examples of Other Responses (2%):

- Email marketing campaigns
- Video streaming
- Digital audio (Over the Top)

Online Marketing Tools Include:

SEM, retargeting, SEO, driving sales to web, banner ads, etc.

The use of digital is widespread, but not deep, in the wine business. The majority use social media and active e-commerce. Yet only 39% employ platform analytics, which indicates that the overall depth and use of active e-commerce are limited and true e-commerce is something the industry needs to invest in and improve.

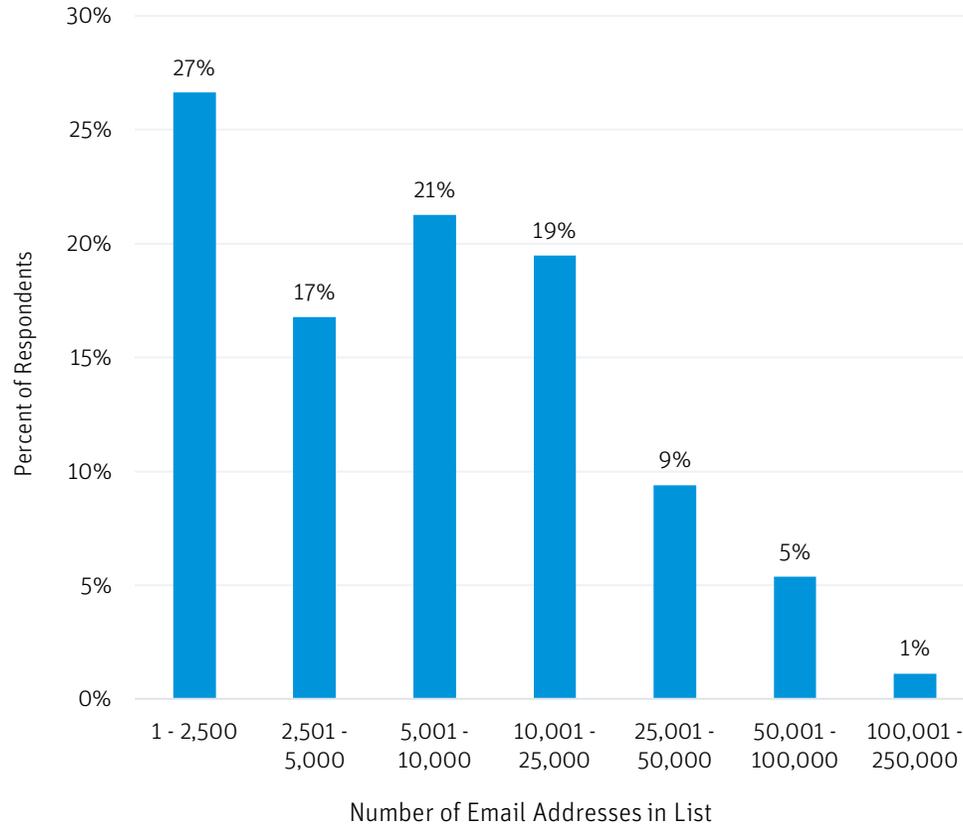
There was little statistical change in responses between 2021 and 2022.

Use of Email Marketing

When we asked the question about list size a decade ago, the average email list had less than 5,000 names. Today, that has ballooned to more than 15,000, with an average email contact to case production ratio of 1.8:1. How do you benchmark against that? Do you have 1.8 good contacts for every case you produce?

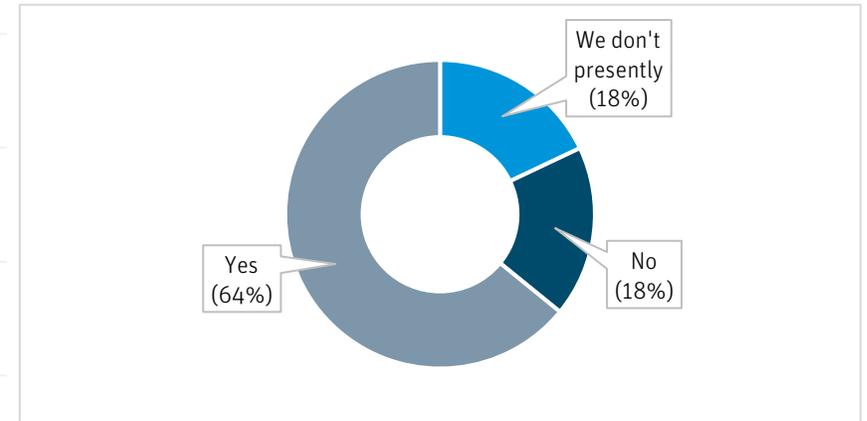
The hygiene of lists is improving, but 18% of respondents still report that they never clean their contact lists, which can negatively impact success rates and potentially conflict with recent privacy statutes.

Size of Email List

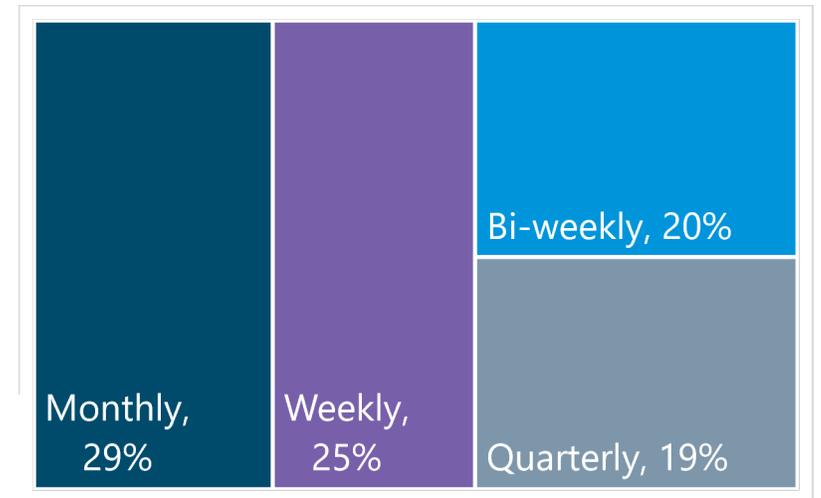


Less often than quarterly 5%
Daily (targeted) 1%
Not Sure 1%

Do you remove inactive emails from your email list annually or more often?



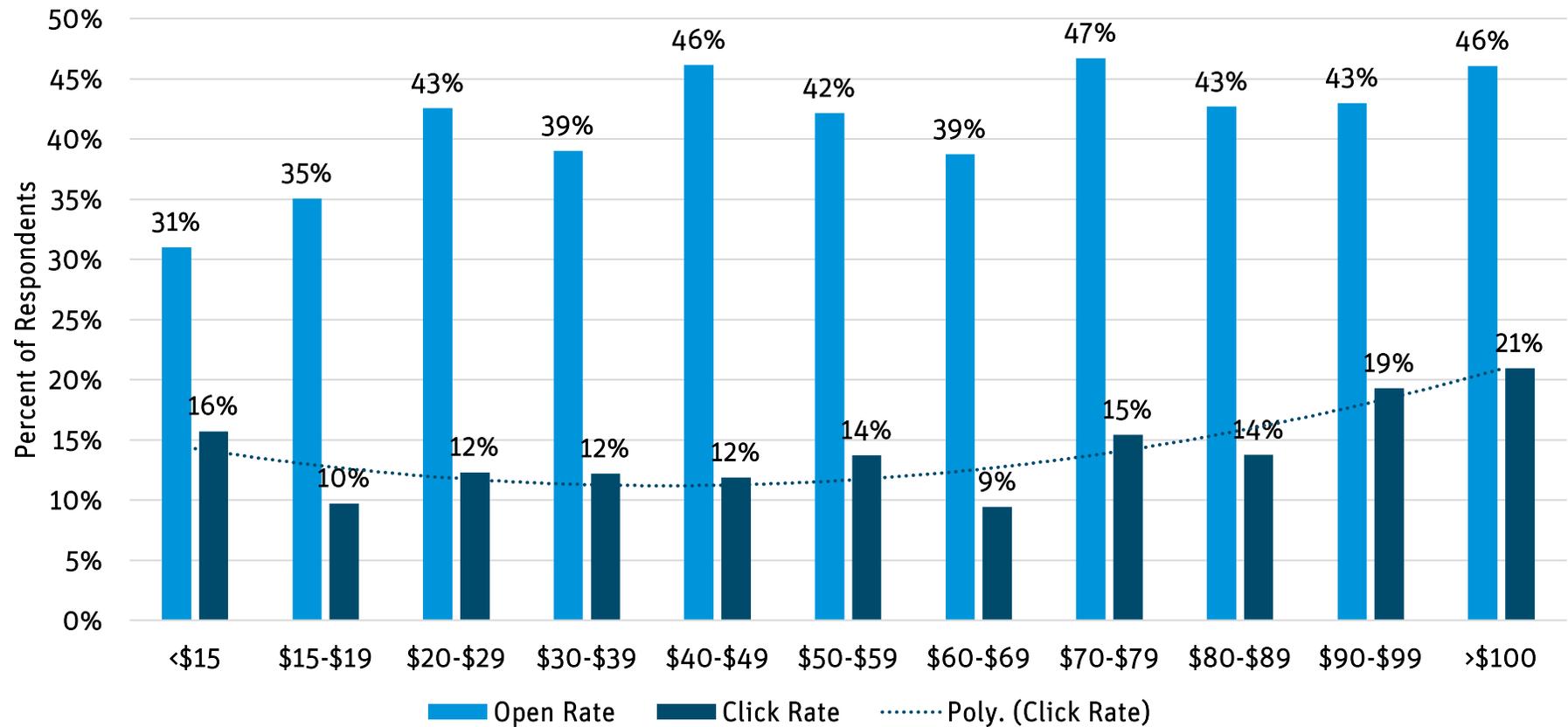
Frequency of Outreach



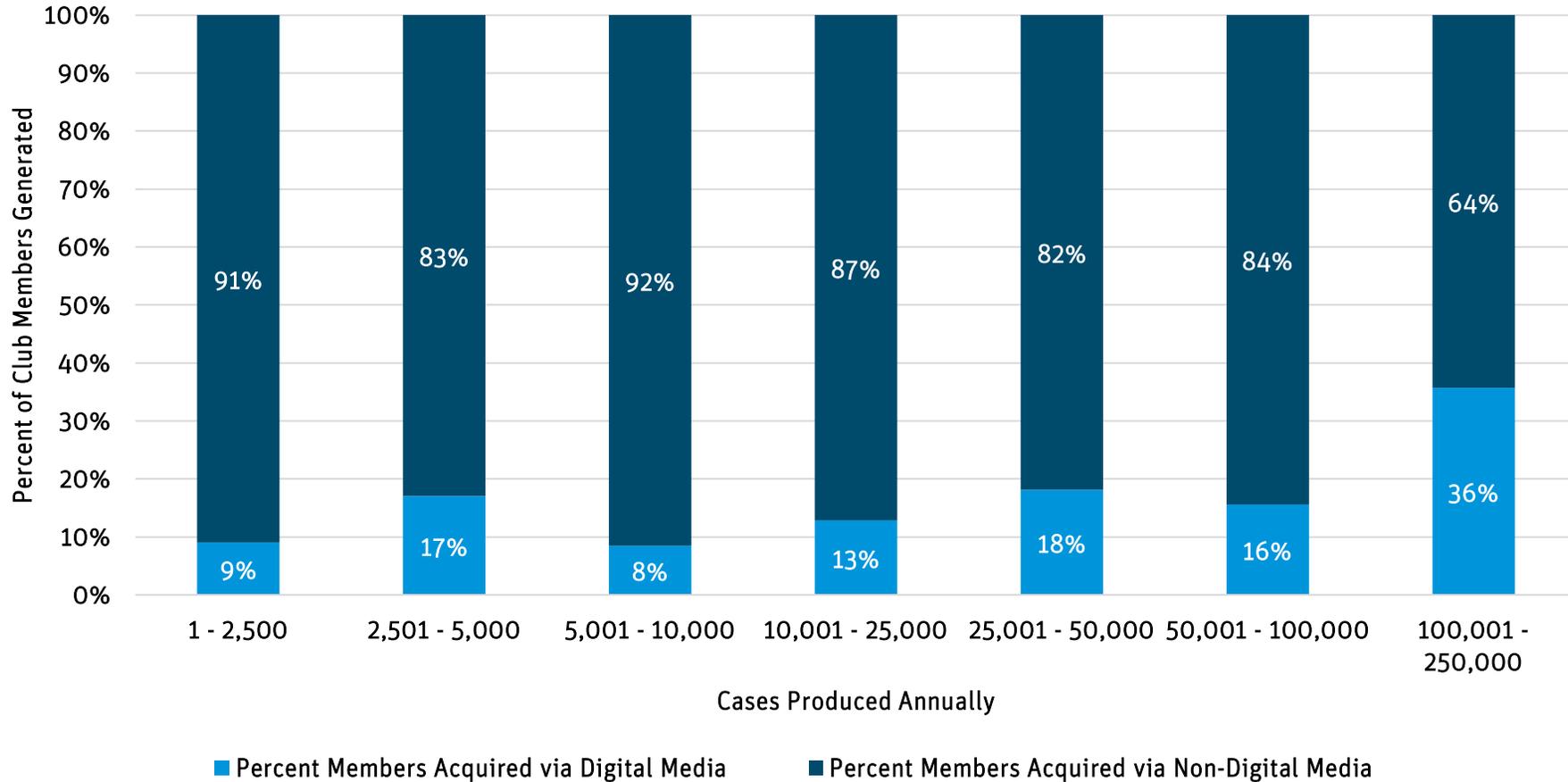
Email Marketing Open and Click Rates by Suggested Retail Bottle Price

The best click rates are found with lower- and higher-priced producers.

Higher-volume producers (page 12) have near a double-digit drop in open rates compared to some of the smaller producers.



Club Memberships Generated Through Digital Media vs. Non-Digital Media by Case Production

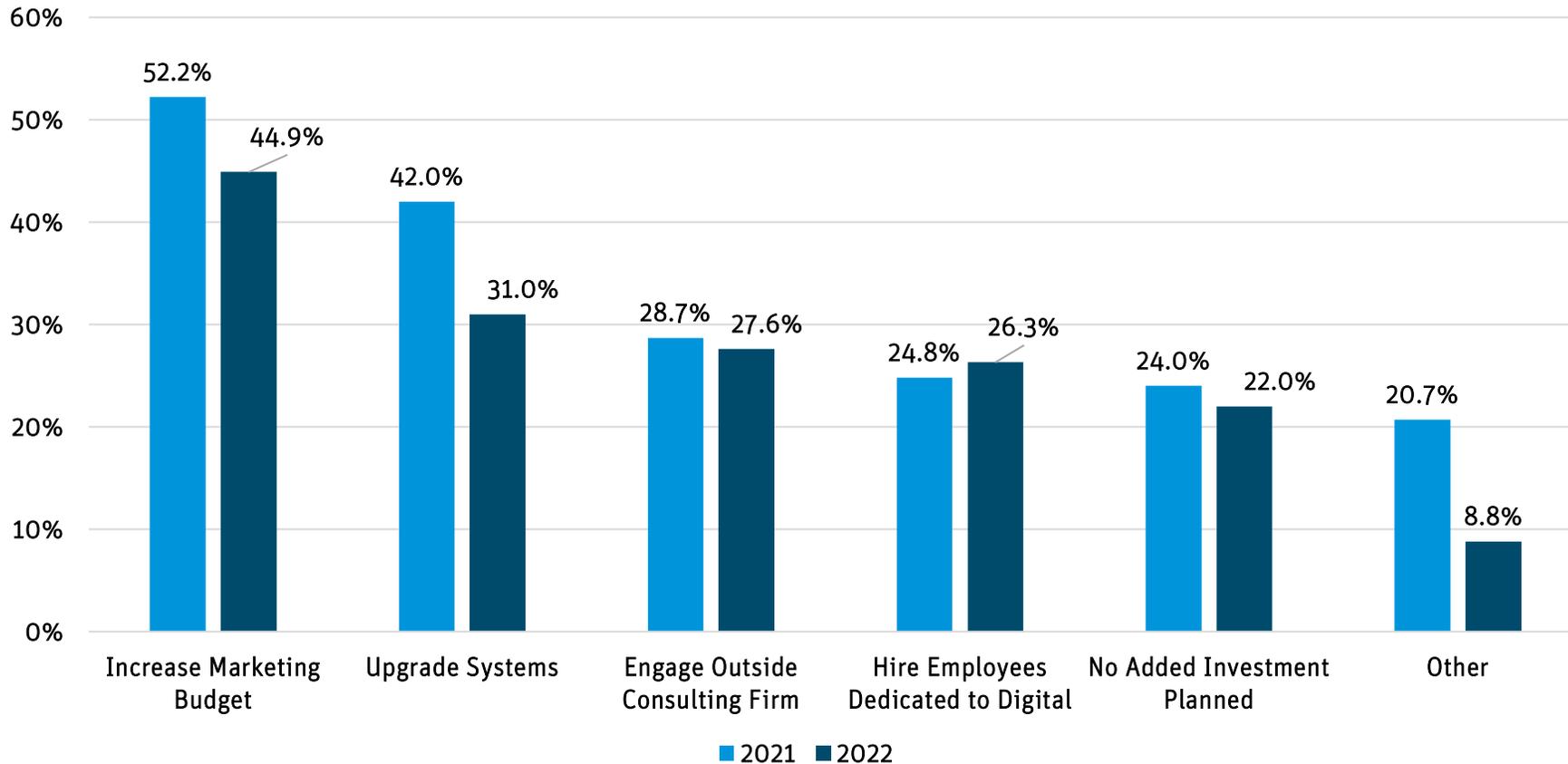


As COVID-19 forced tasting rooms to close in 2020, owners worried about the sustainability of club income without refreshing member numbers. Prior to 2020, attracting new club members was always a key function for the tasting room.

The industry has since discovered how to gain memberships via digital marketing now, with an average 17% of new members joining via digital channels in 2020 and 2021.

Moving forward, tracking and driving growth in club memberships outside of the tasting room should be a goal of all wineries with clubs.

Planned Digital Marketing Investments for 2021 & 2022

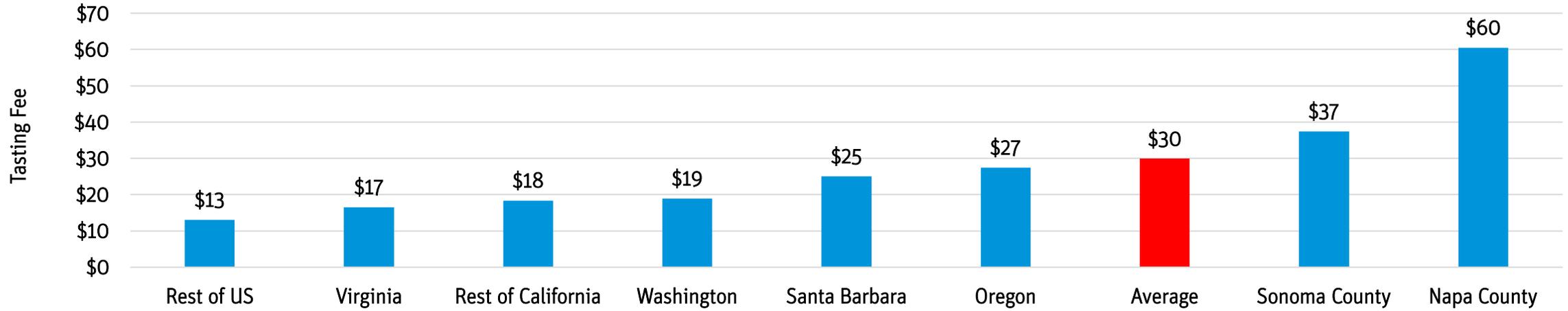


Examples of Other Responses (9%):

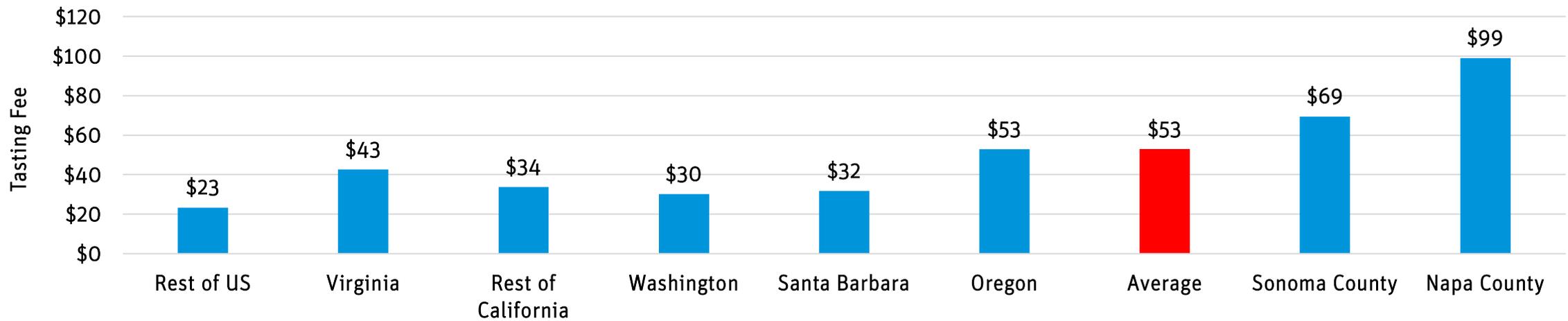
- Focus more time on digital, continue learning and research
- Increase frequency of existing email, social and SMS messaging
- More personal outreach by owners
- Training and education

Average Tasting Fee by Region

Standard Tasting Fee



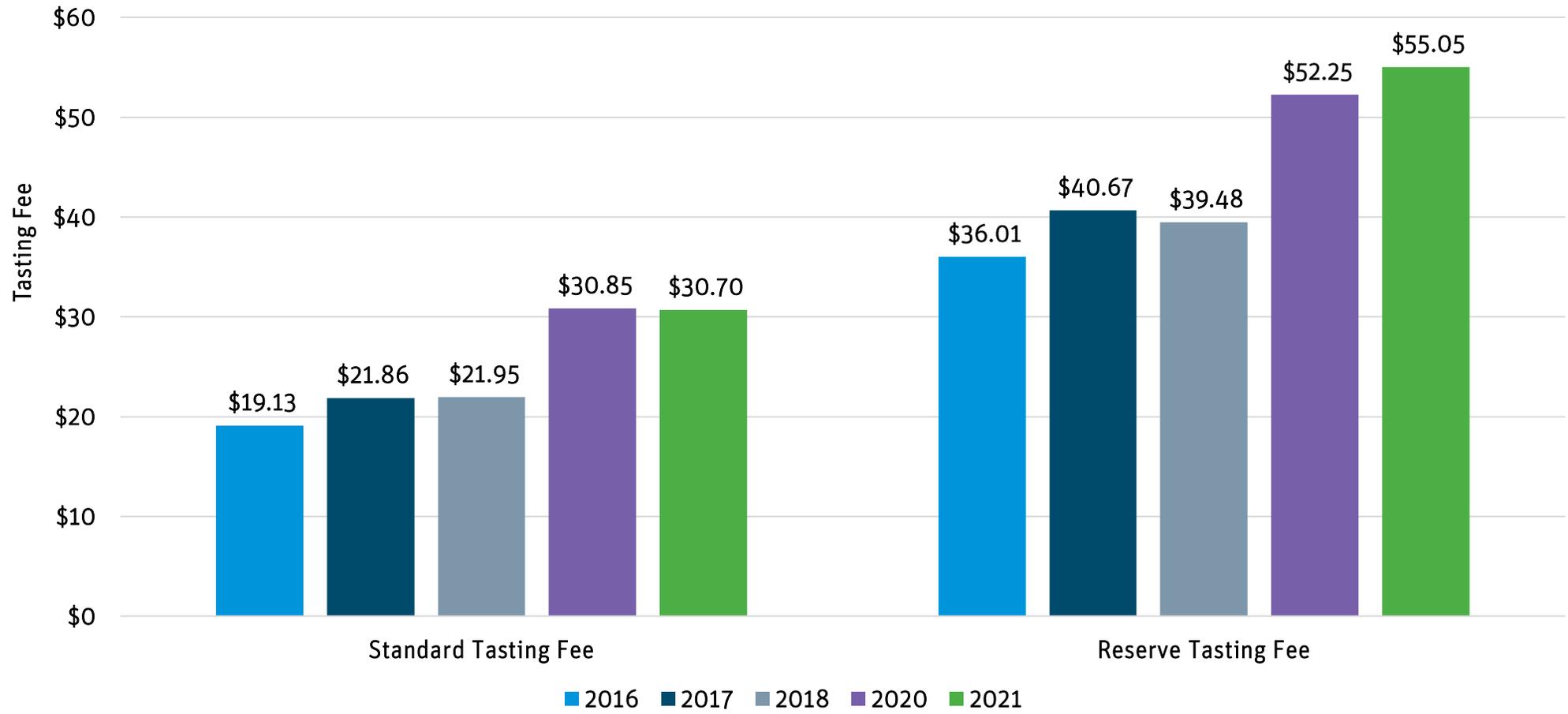
Reserve Tasting Fee



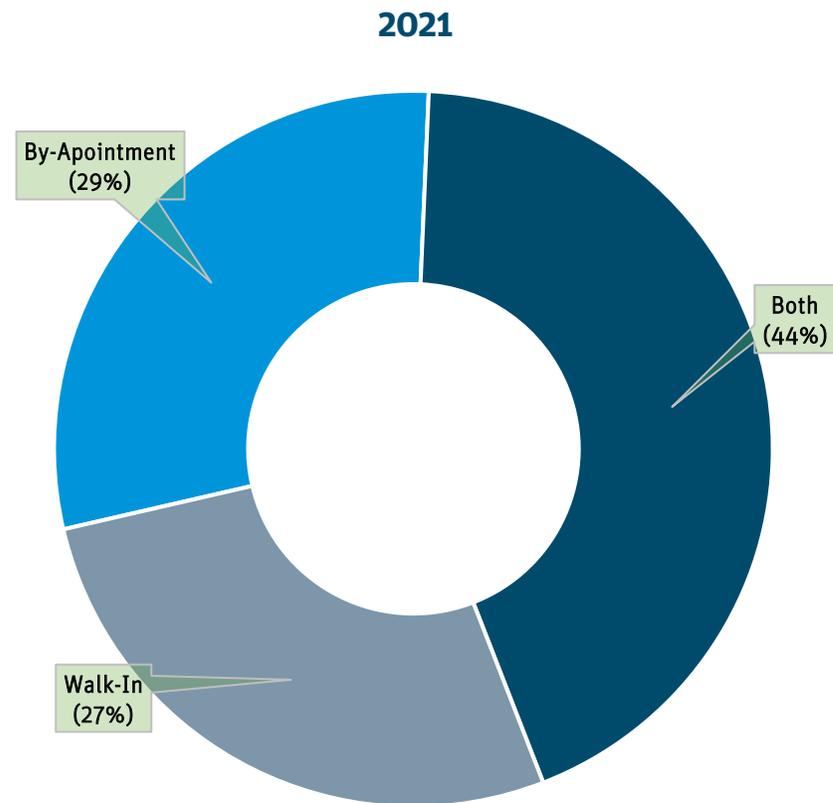
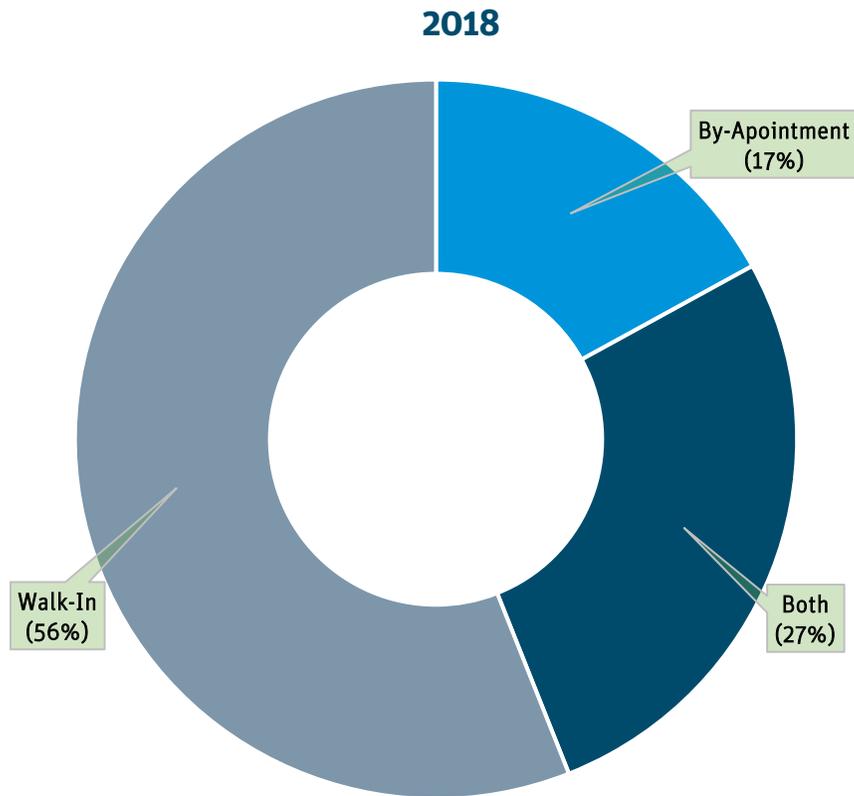
Tasting Fee by Suggested Retail Bottle Price



Overall Tasting Fee Growth Trend: 2016 to 2021



Industry Average By-Appointment vs. Walk-In Visitors

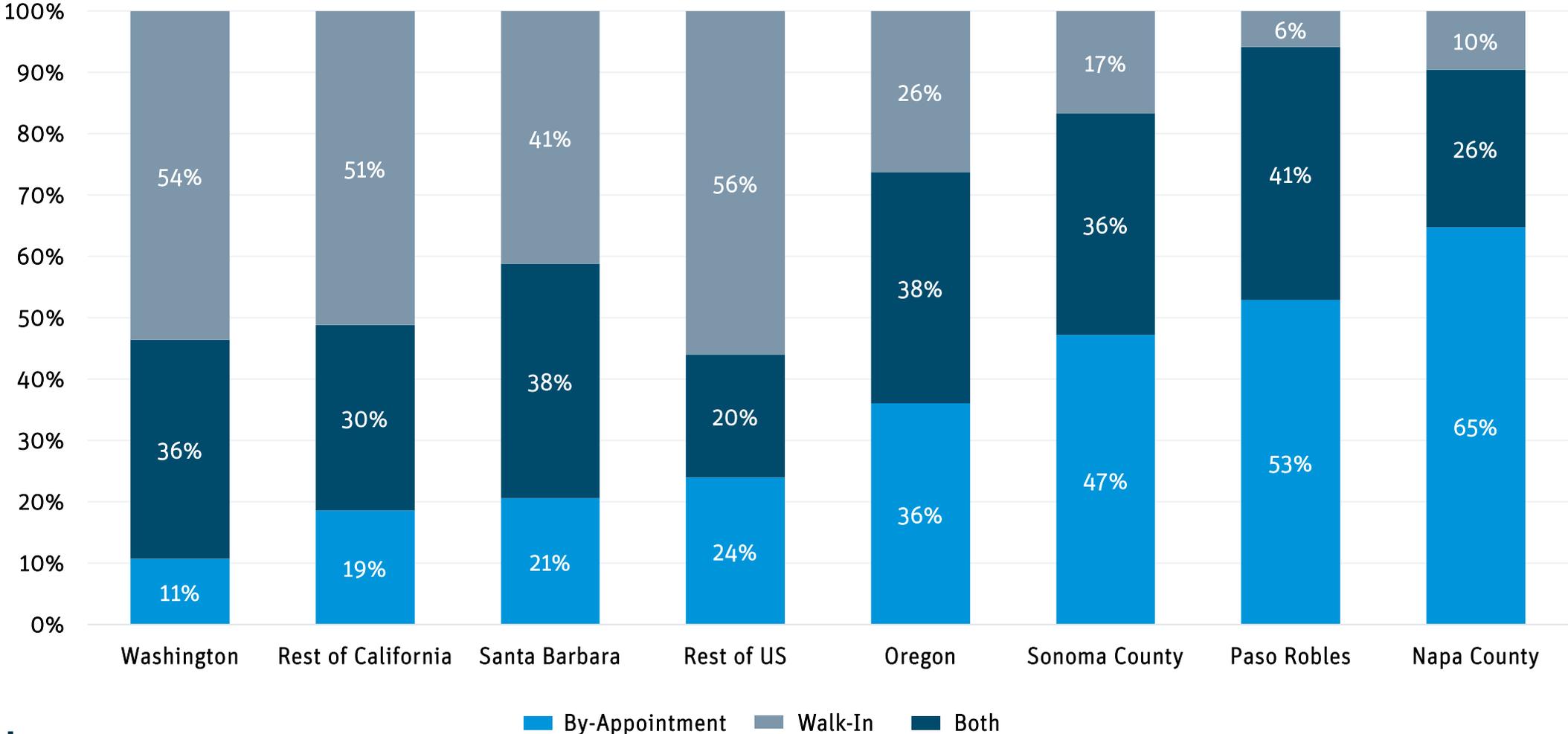


Prior to COVID, the preferred model for wineries was a walk-in; the theory being by-appointment would let a potential customer go somewhere else.

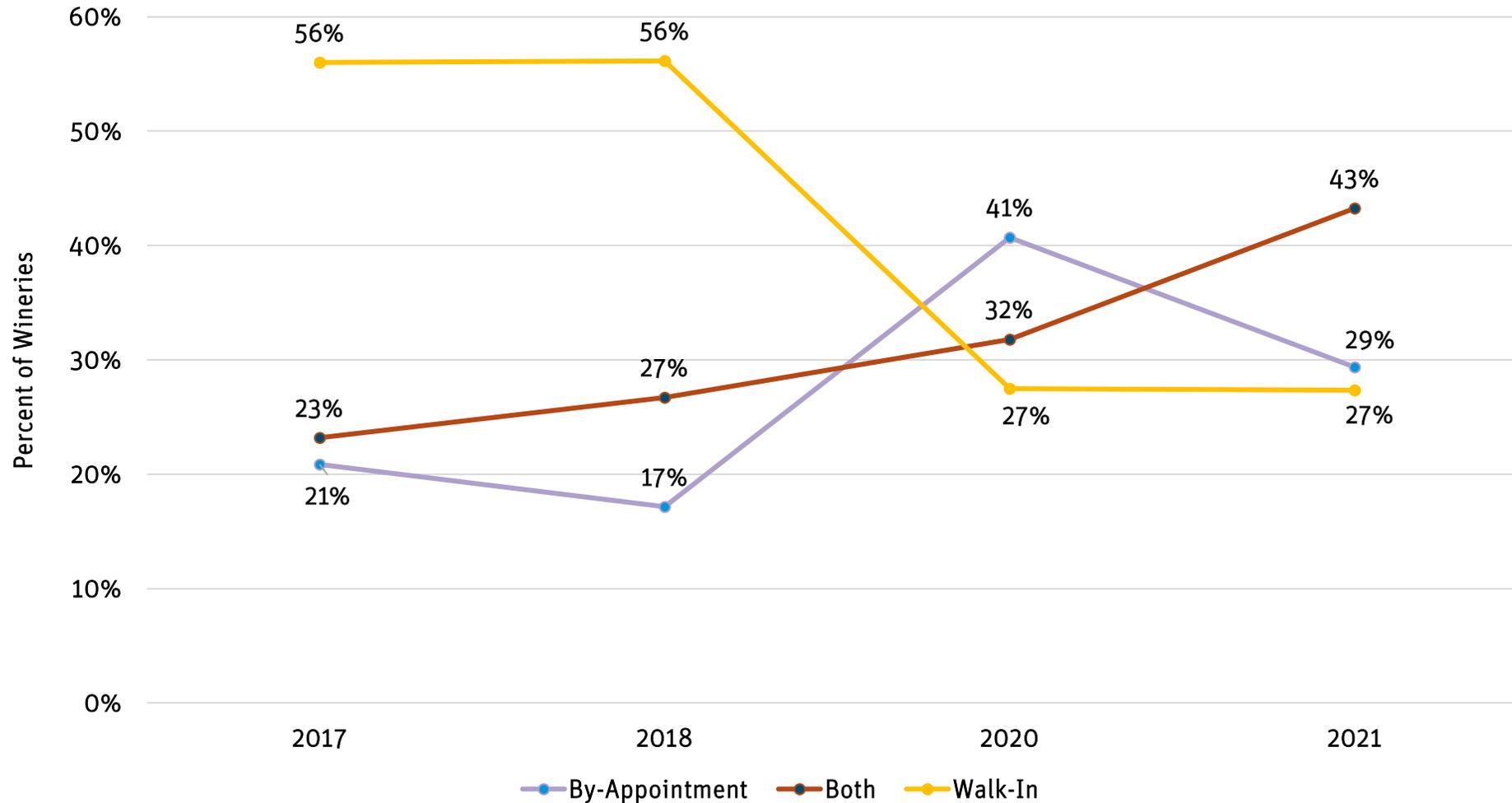
COVID-19 restrictions forced wineries into the by-appointment offerings in 2020, as evidenced by these two pie charts. Pre-COVID walk-in appointments represent 56%, but only 27% by 2021. The change is split into the by-appointment and both models.

We believe the by-appointment offering better allows for the collection of personal data, precision in tasting room staffing, and improved preparation for the customer ensuring the best experience compared to the pure walk-in approach.

By-Appointment and Walk-In Visits by Region



Wineries That Are Walk-In vs. By-Appointment

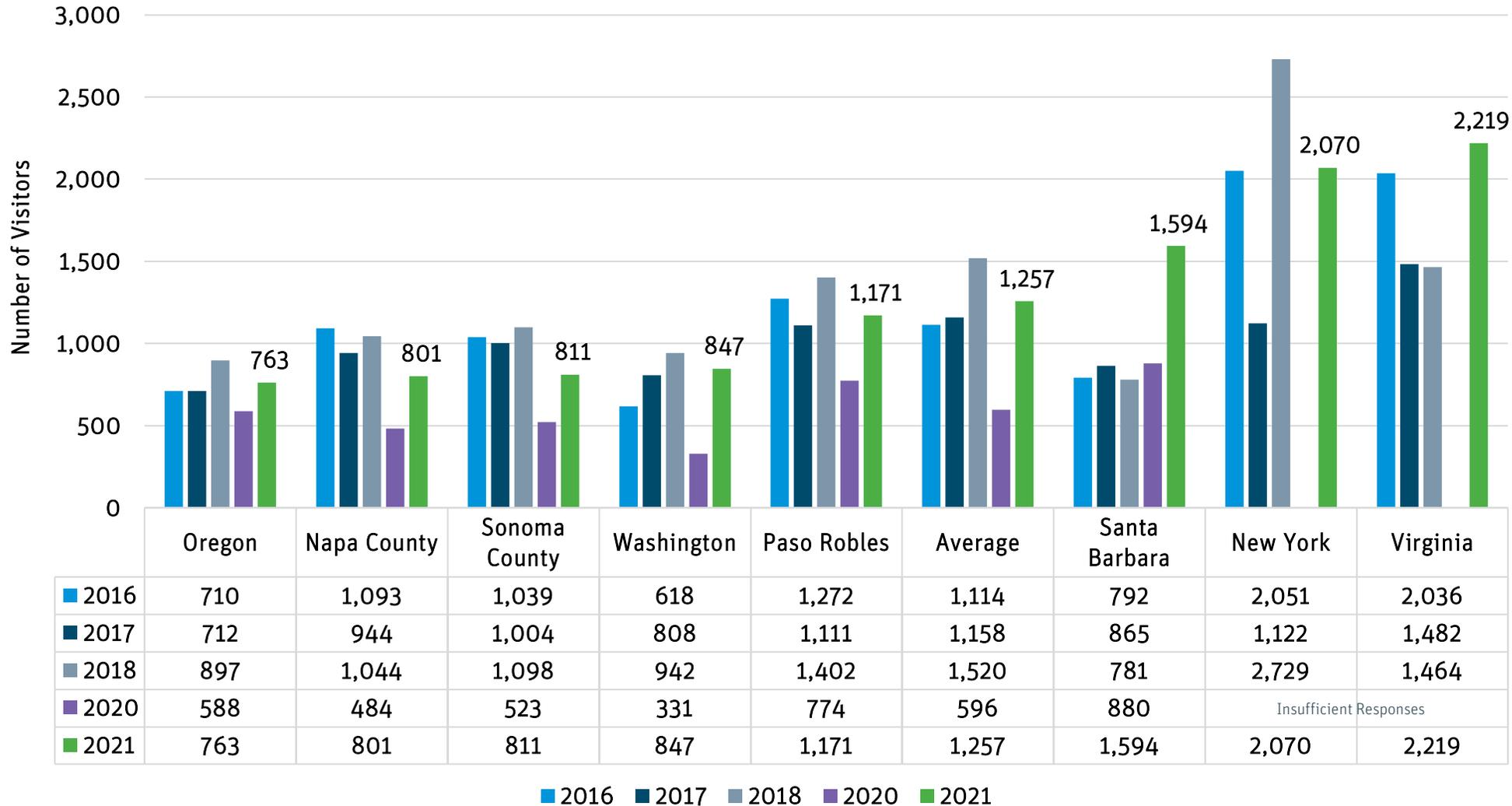


Sonoma and Napa were the only regions using by-appointment offerings to any significant degree in 2018. By 2020 regional health mandates required by-appointment offerings and that model exploded from only 17% to 41%.

With business reopening, wineries who weren't forced into offering the by-appointment tastings haven't changed their model. While the rest of the wineries settled into either a mixed model or strictly by-appointment offerings.

Many wineries have expressed multiple benefits of by-appointments offerings. The industry won't return to walk-in.

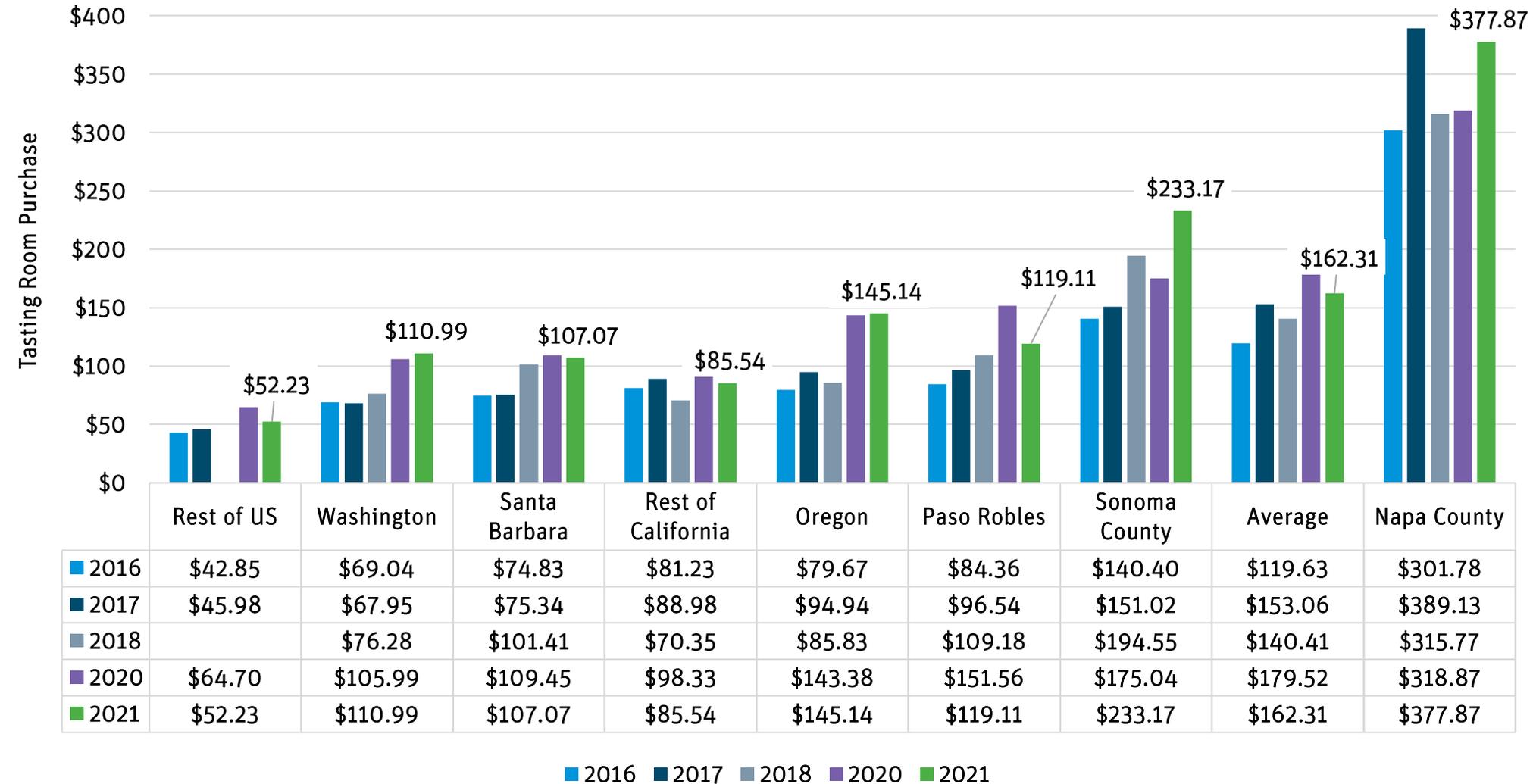
Average Monthly Visitors by Region



COVID-19 restrictions in 2020 made for significant reductions in the number of tasting room visitors in all regions with the exception of Santa Barbara.

In 2021, the average monthly increase was 211%, higher than 2020 yet still below the record 2018 visitation average. The move to the by-appointment model is reducing visitation.

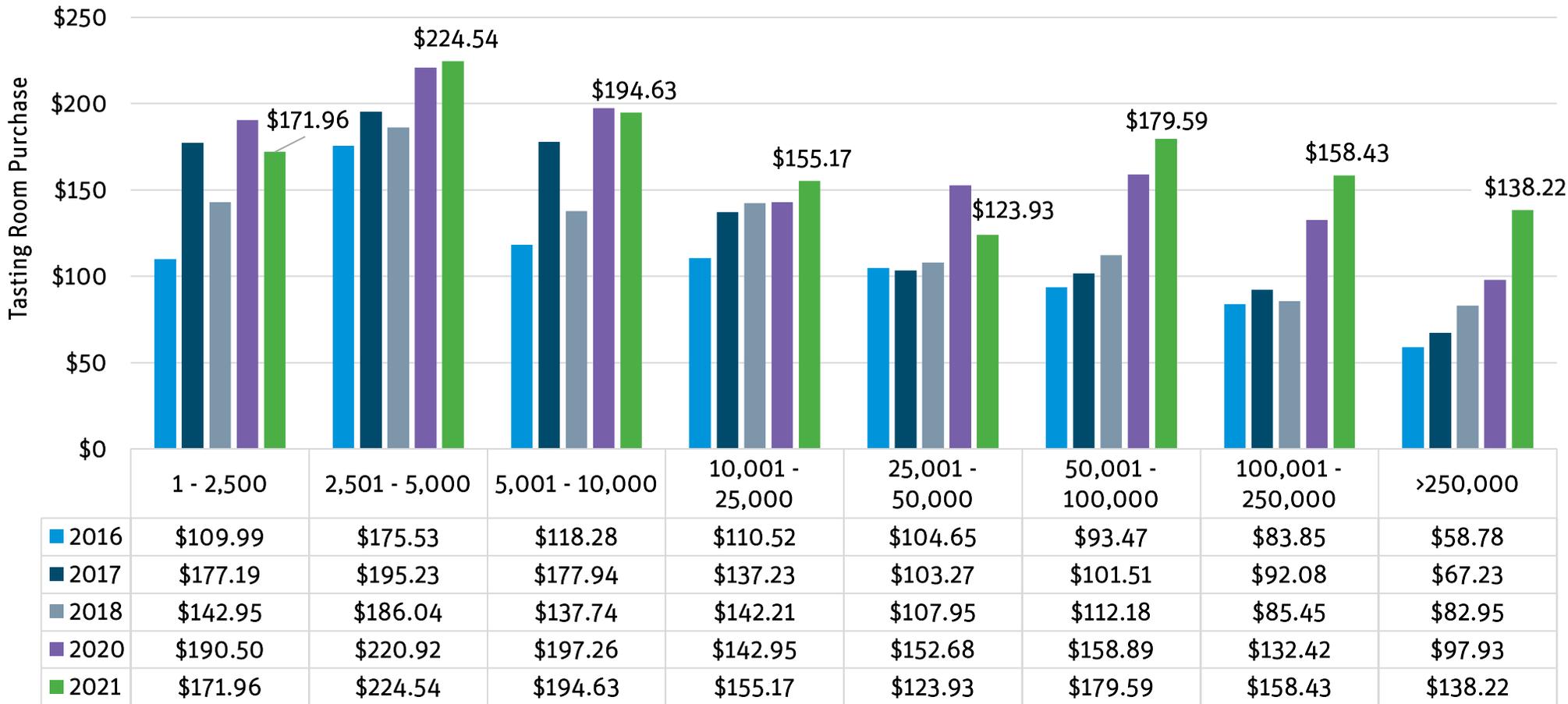
Tasting Room Purchase by Region



When consumers lost many of their typical pastimes in 2020, such as sports, movies, travel, and dining out, they found pleasure in going to restricted but open tasting rooms.

The average purchase per visit was higher during the COVID-restricted period, and slightly higher in 2021 than pre-COVID too. Most regions held their purchase increases in 2021 while Napa and Sonoma drove materially higher checks.

Tasting Room Purchase by Case Production



Cases Produced Annually

■ 2016 ■ 2017 ■ 2018 ■ 2020 ■ 2021

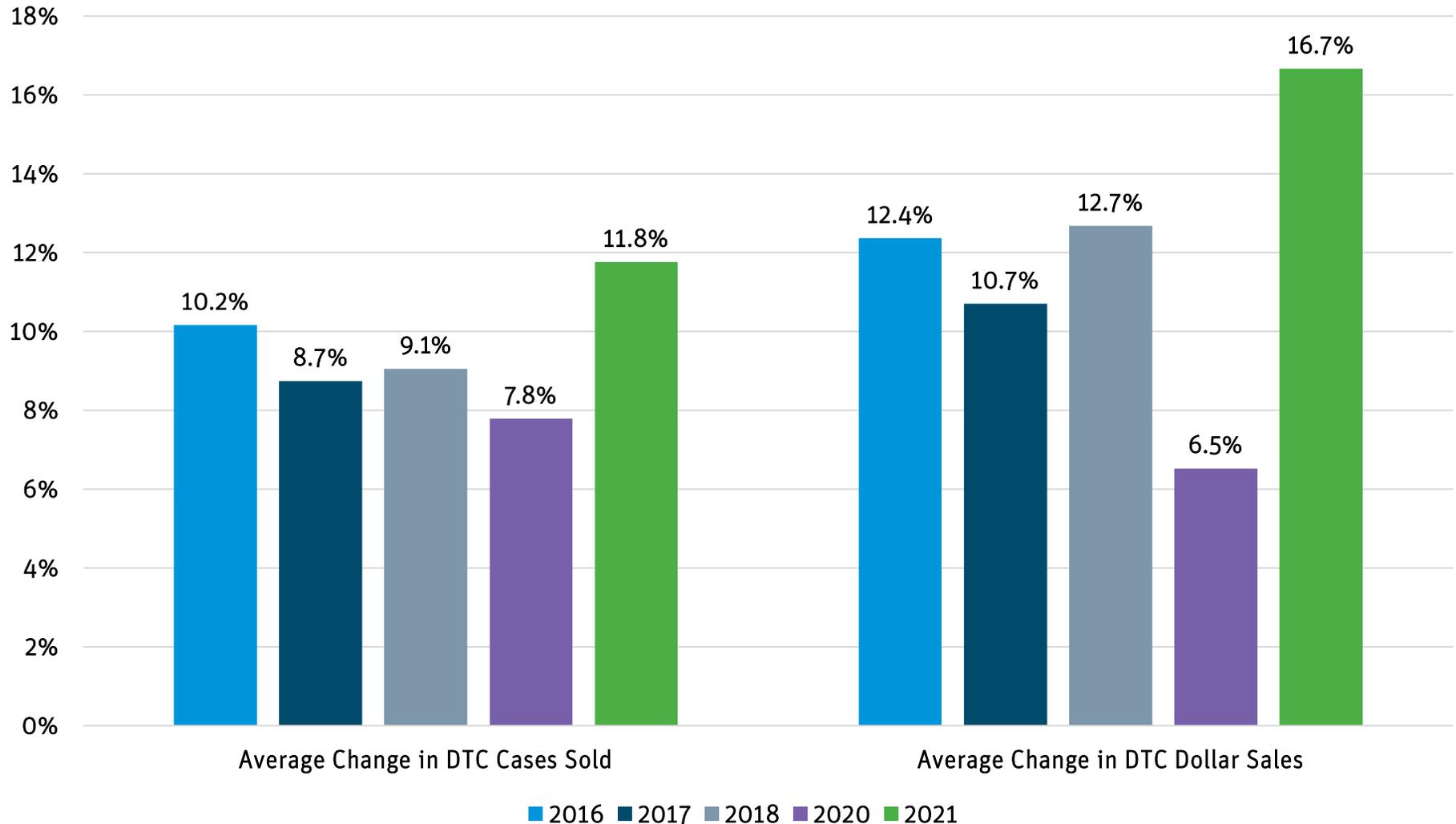
In 2021, wineries with production greater than 50,000 cases had increases in average tasting room purchases, while wineries producing below that saw smaller average tickets.

Larger wineries are increasingly trying to find paths to sell using direct to consumer means. While representing a small amount in volume in relative terms for production sized wineries, the margin increase and brand enhancement make it valuable for all sizes of wineries.

Change in Average Annual Direct-to-Consumer Cases Sold and Dollar Sales

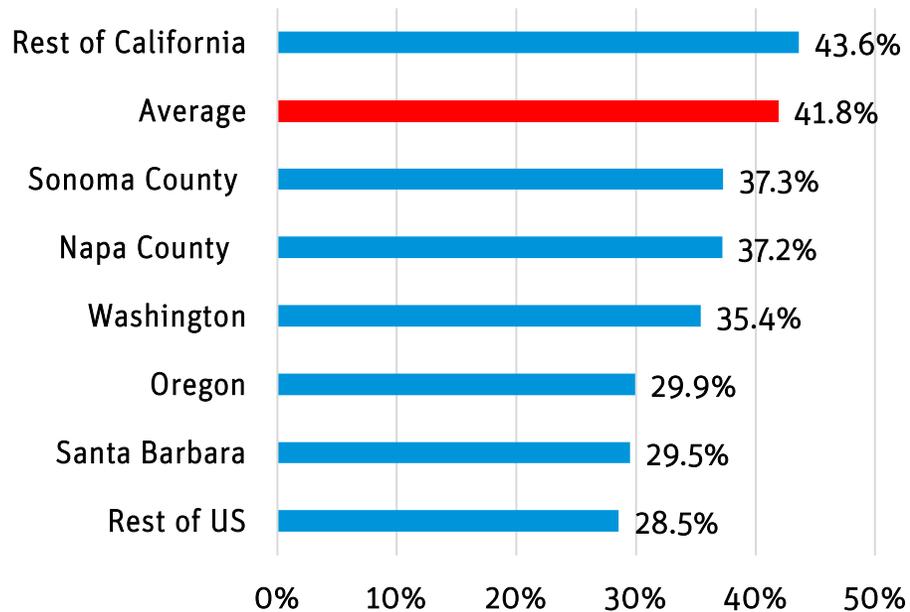
Since 2020, purchase growth by dollar value has exceeded growth in volume. Consumers have been spending more money on better bottles and moving away from wine under \$11.

For premium producers, many of whom suffered from fire and drought, selling less for more is a good outcome. The question we need to ask is, will this remain a sustainable trend?

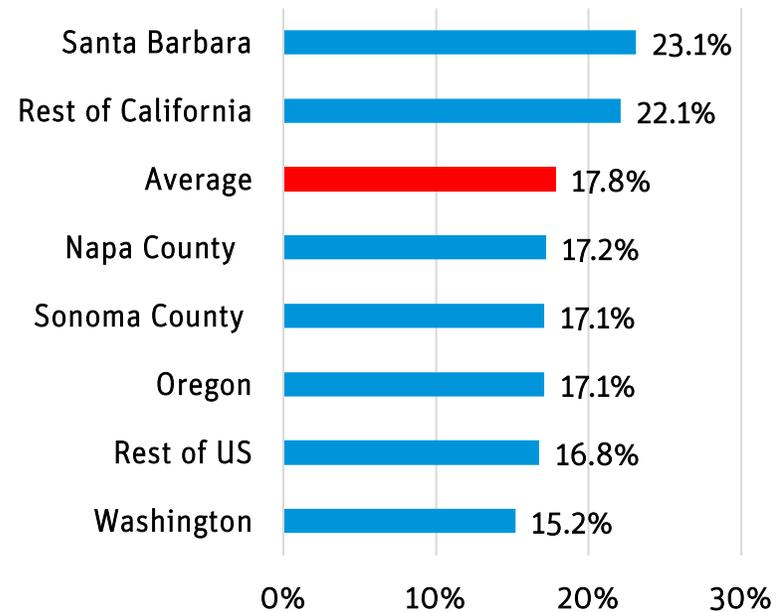


Wine Club Growth and Attrition Rates

New Wine Club Member Growth Rate*



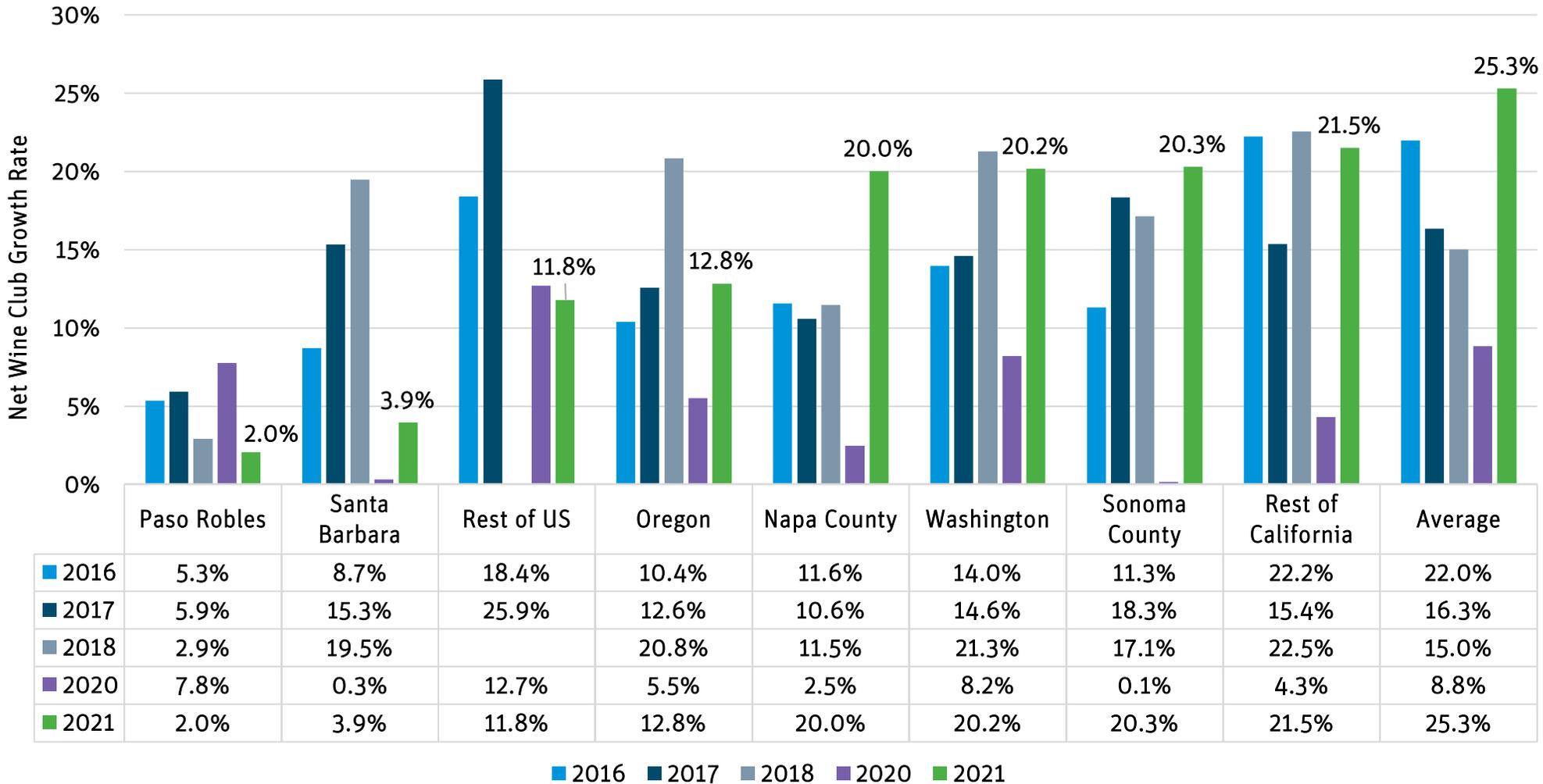
Wine Club Attrition Rate**



It's useful to look at the growth in new club members along with attrition rather than net growth. It's far more profitable to grow by 5% and lose 5% for a net zero, than grow 20% and lose 20%.

While wineries in all regions are adding new club members more quickly than they are losing them, the rate of churn is uncomfortably high.

Annual Change in Net Wine Club Growth Rate

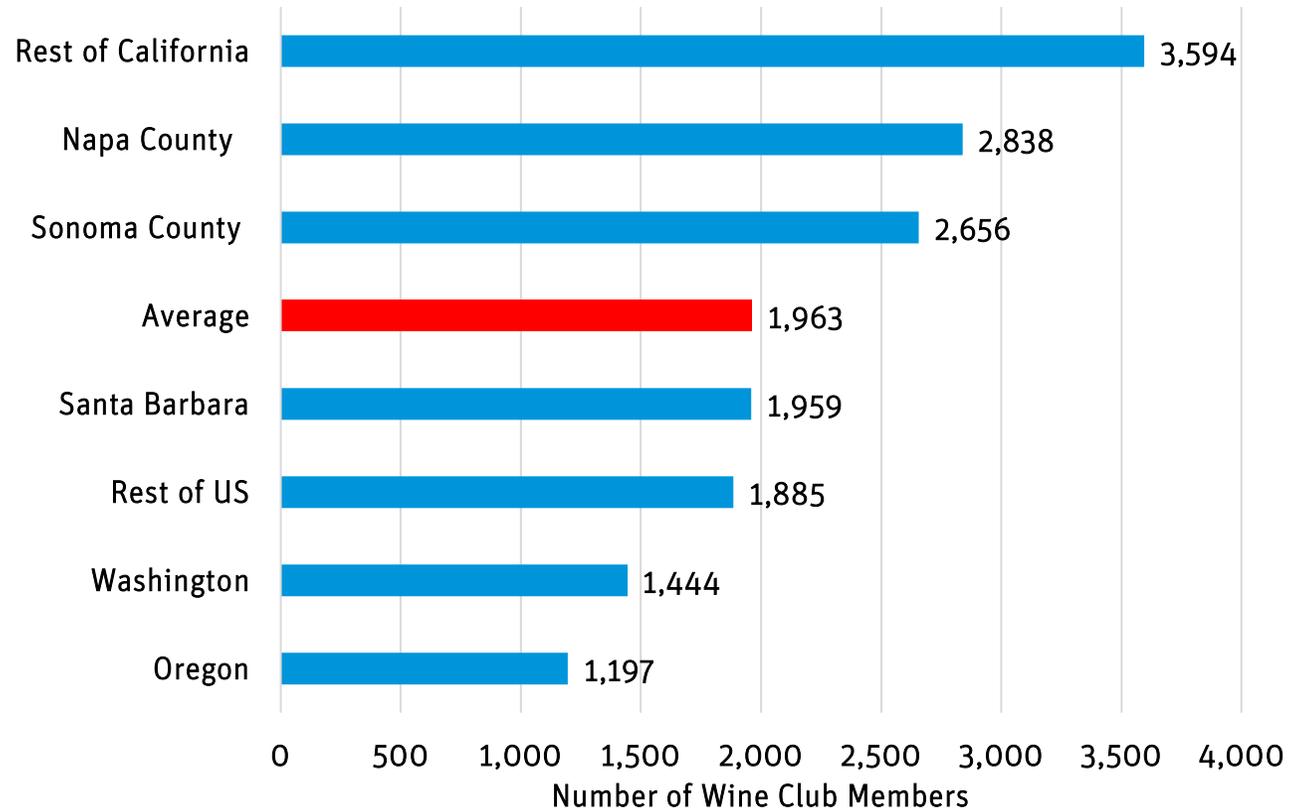


Wine club sales were successful during the COVID-19 period particularly during the lockdown. Even though attrition was slightly higher in the spring of 2020 during the onset of lockdowns, net membership ended the year higher, but with a lower growth rate versus prior years.

Growth in club memberships was spectacular in 2021 in part due to tasting room reopening, but also due to the growth in digital club member acquisition.

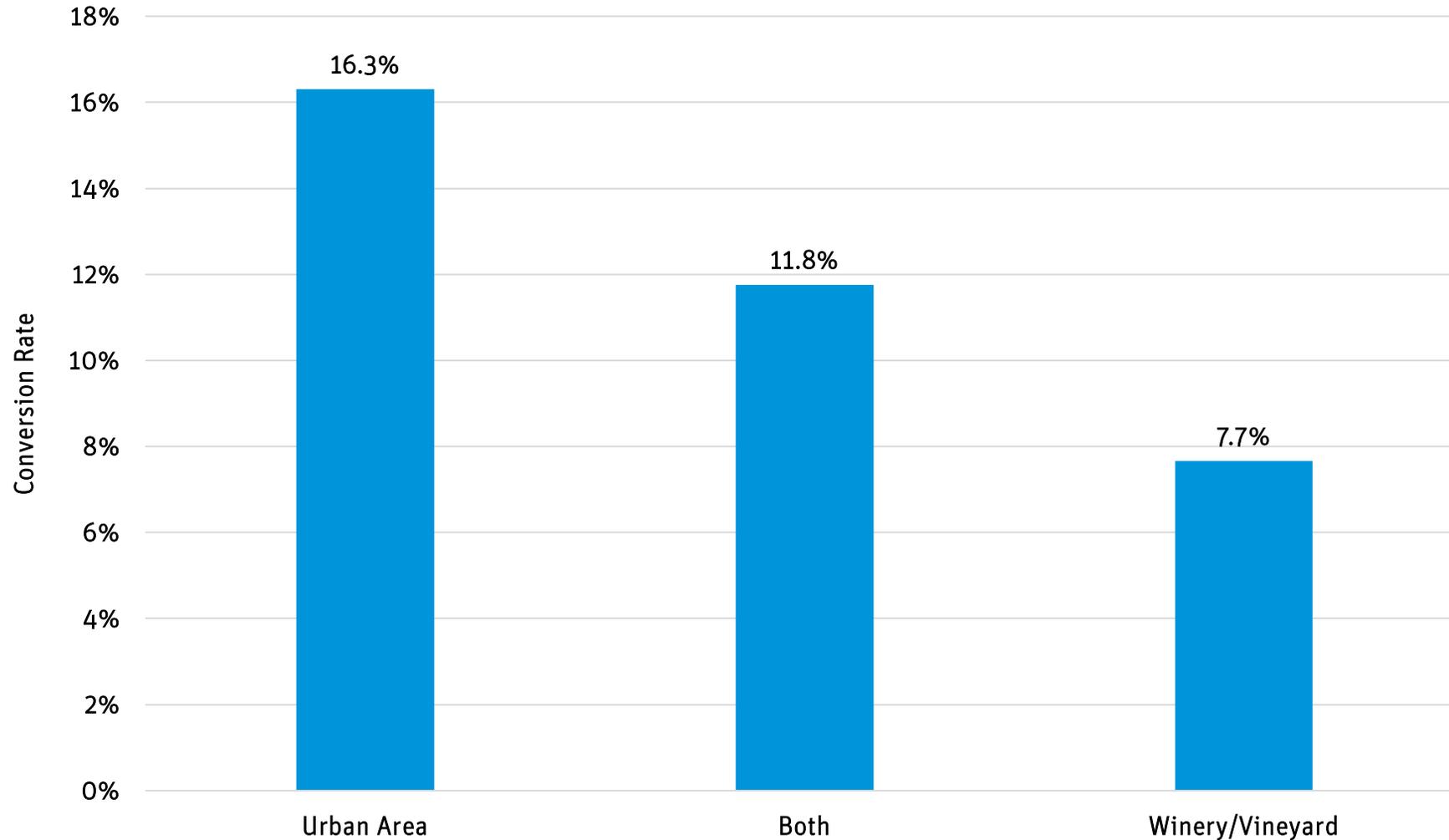
Net Wine Club Growth Rate = New club members acquired in 2021, less lost club members in 2021, divided by base membership level at the beginning of 2021. Excludes Wineries with less than five years experience.

Wine Club Size by Region



Average Members Lost by Region	2020	2021
Napa County	450	423
Sonoma County	355	403
Santa Barbara	296	366
Rest of US	150	289
Average	316	271
Rest of California	226	219
Oregon	229	193
Washington	120	160

Conversion Rate* of Visitors to Wine Club by Location

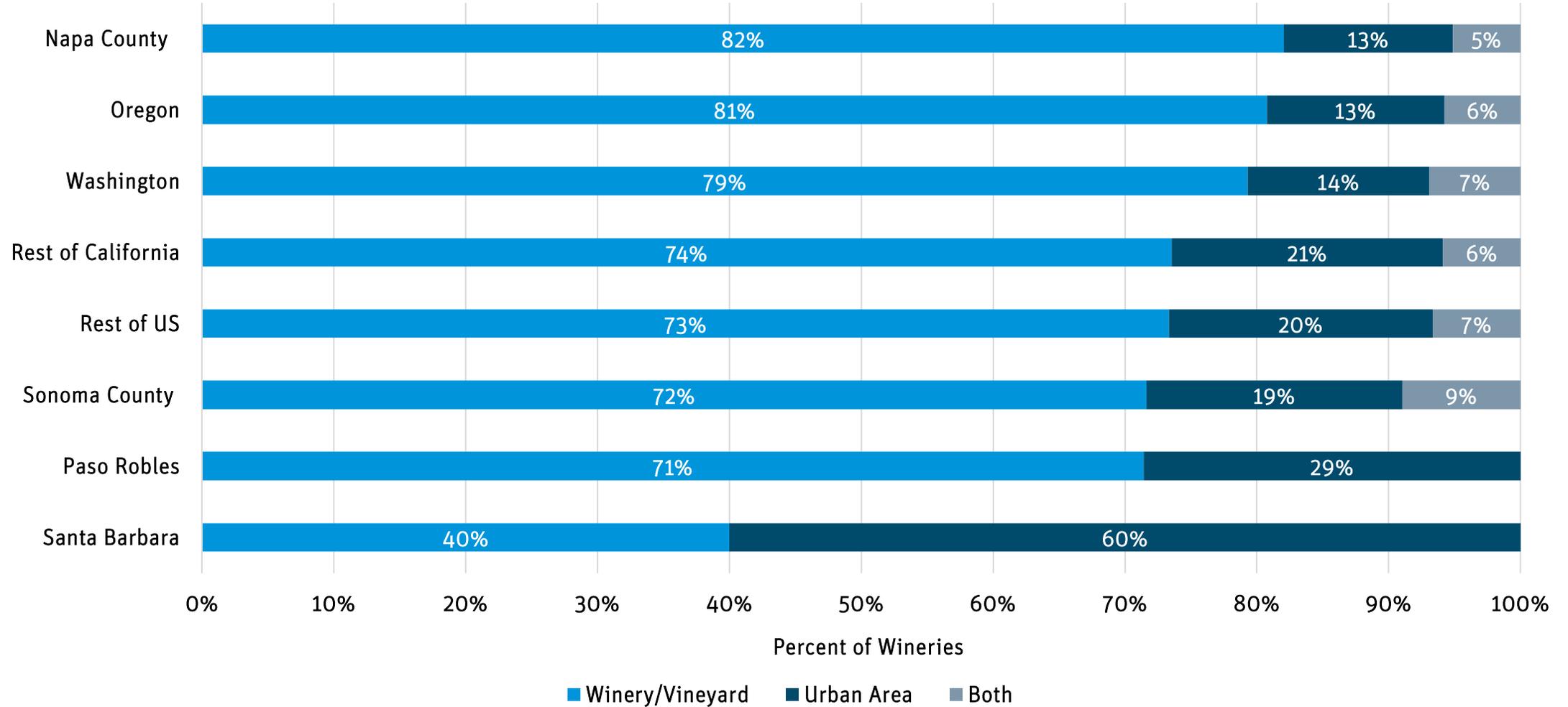


As urban tasting rooms opened in different regions over time, the experience provided was found to be less robust than that at the winery.

These results have remained consistent over the years, with conversion rates about 25% to 35% higher in winery tasting rooms than in urban tasting rooms, until 2021.

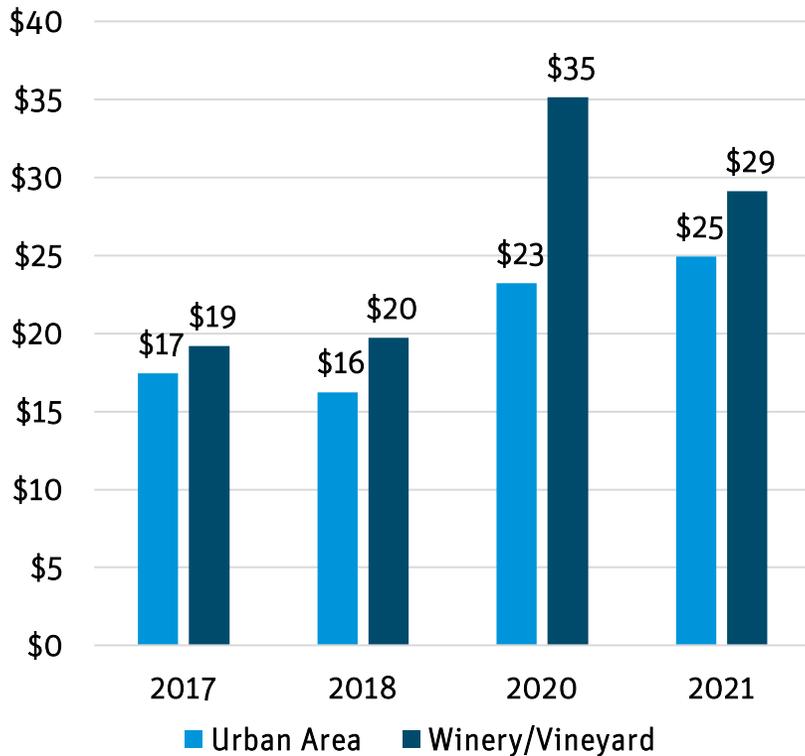
This past year, results reversed, with conversion rates in urban tasting rooms exceeding those at wineries. At a minimum, that shows the benefit of having a second, more casual tasting room in a tourist region.

Tasting Room Locations by Region

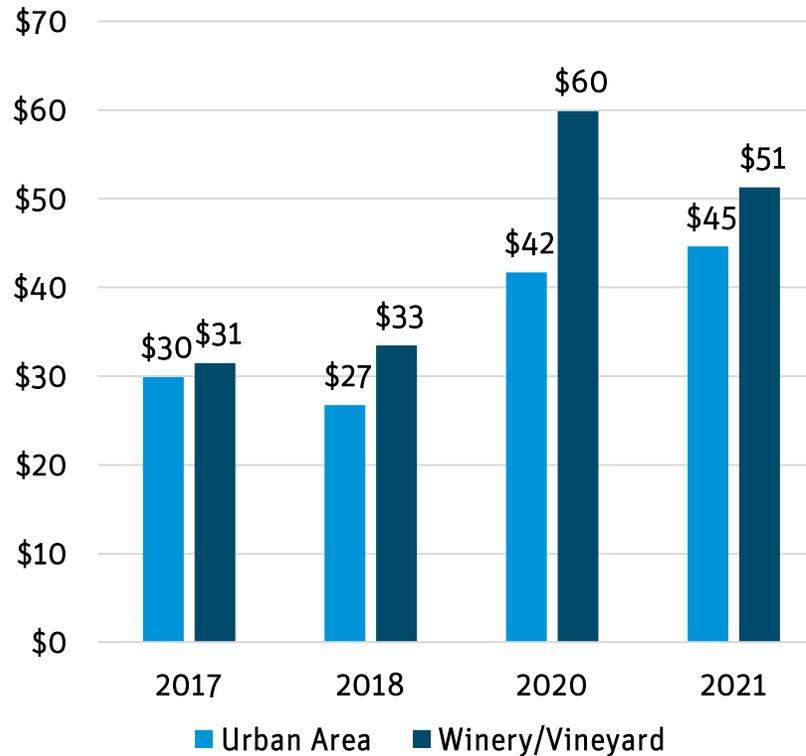


Tasting Fees by Tasting Room Location

Average Standard Tasting Fee



Average Reserve Tasting Fee

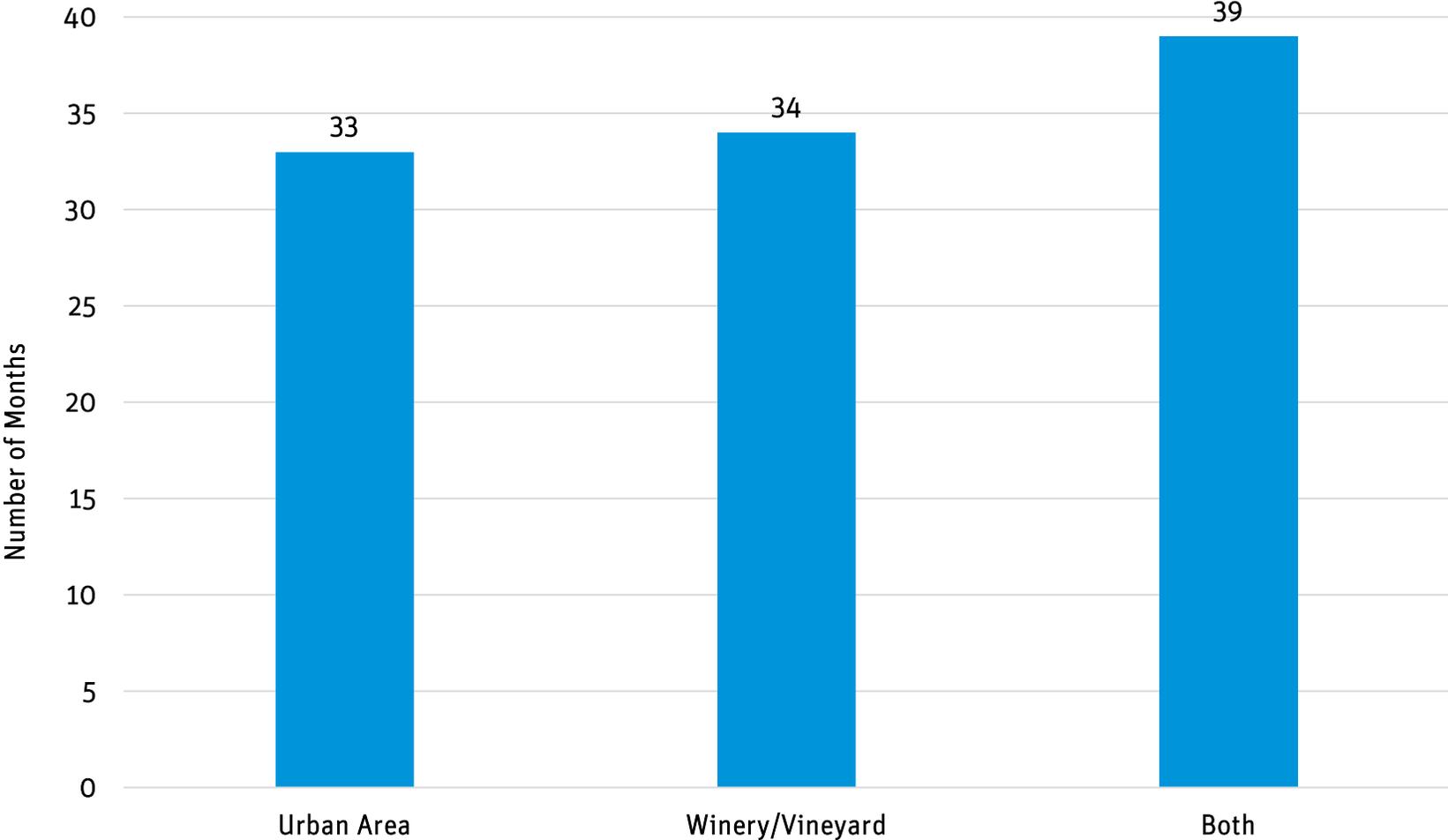


Very early on, urban tasting rooms in wine regions struggled to find their identity. While wineries had good traffic during the day, urban tasting rooms would often be empty.

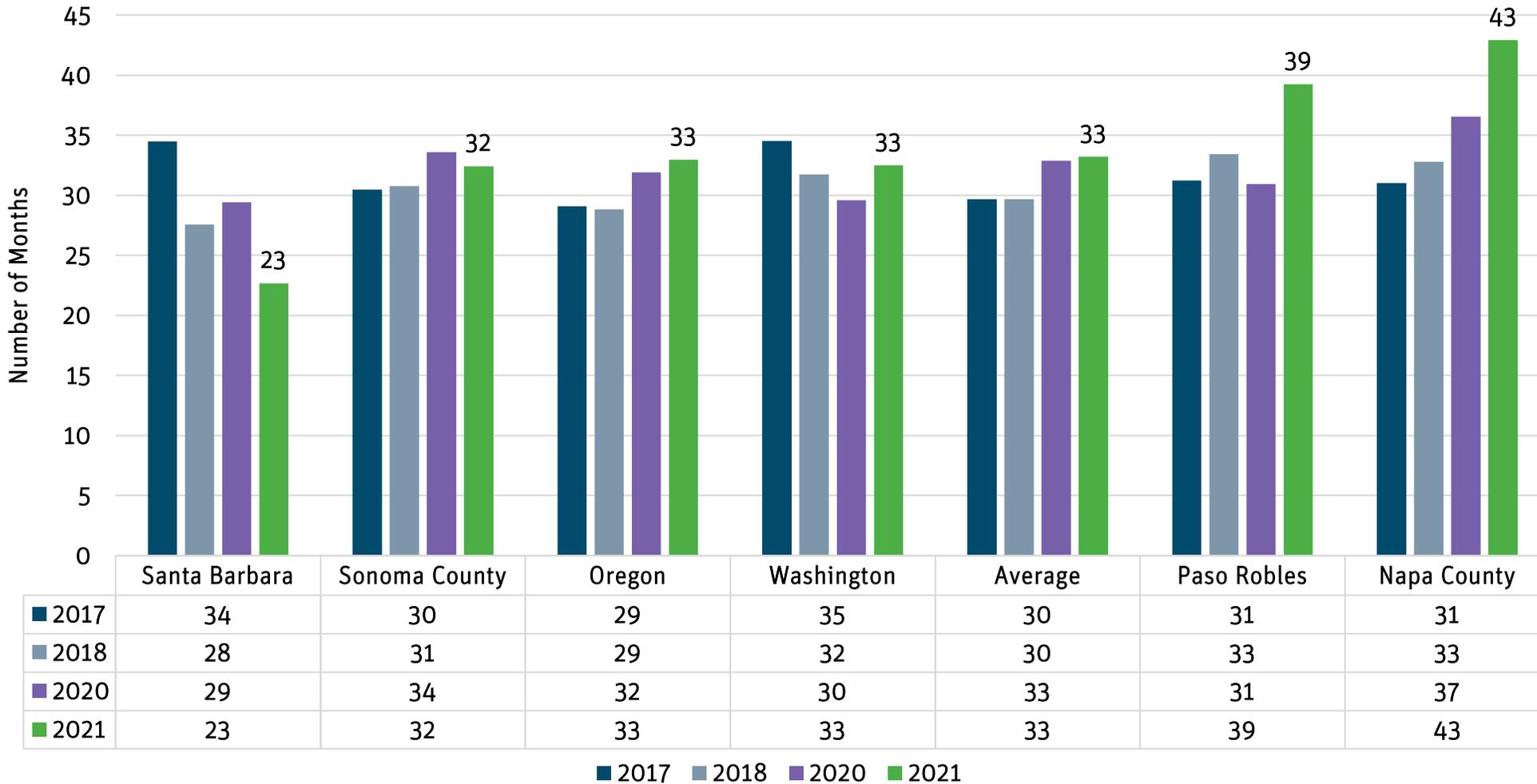
Today, many owners are discovering that an urban location should have a different feel. For higher-priced regions, an urban tasting room is an opportunity to present an entry-level experience — priced more affordably and often geared to younger consumers. It can also be an oasis at night.

Tasting fees came back a little for wineries in 2021, but held steady in urban tasting rooms.

Length of Wine Club Membership in Months by Location



Wine Club Membership Length by Region

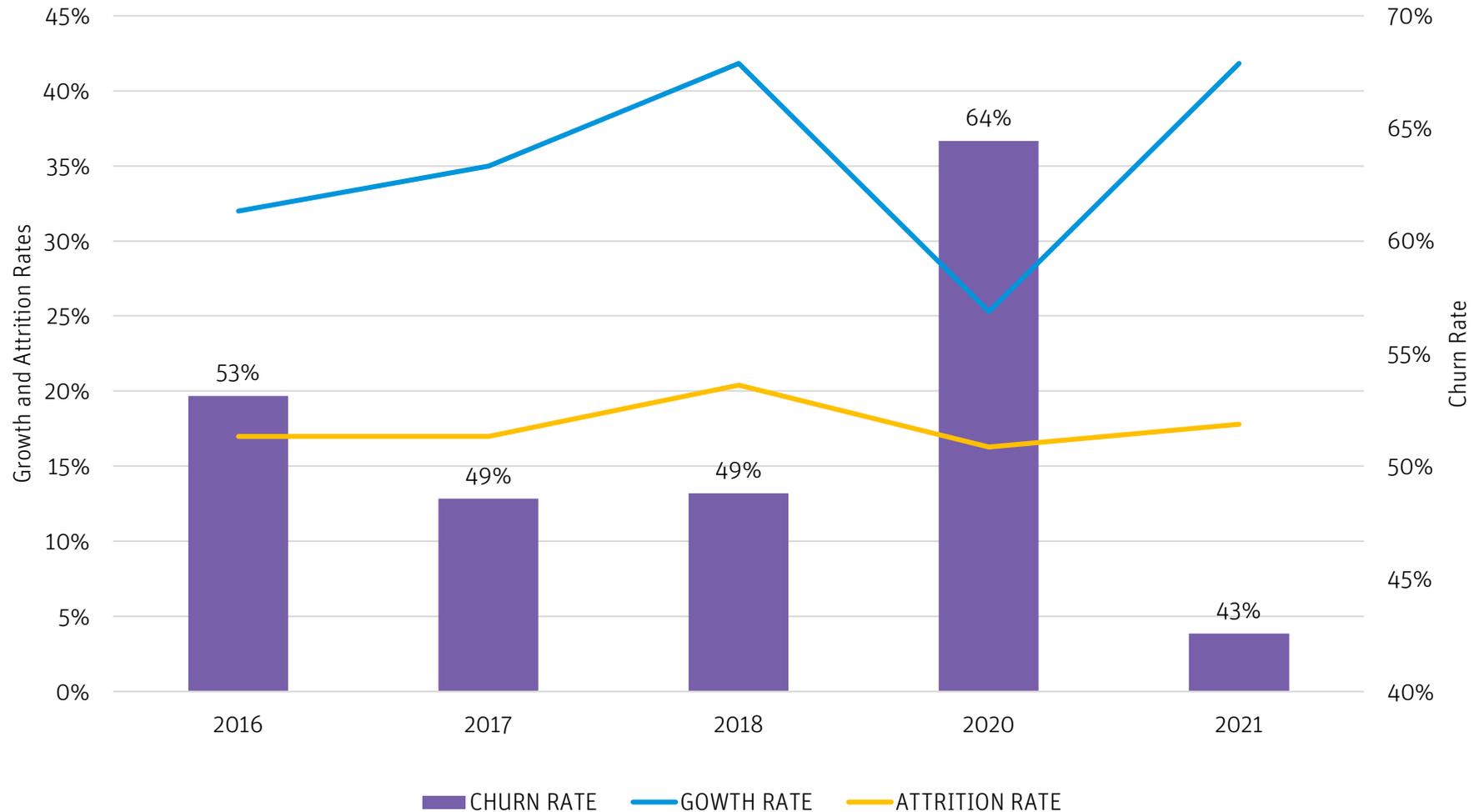


Two critical benchmarks for clubs are the length of membership and average annual purchase. The product of those two metrics is the lifetime value of a customer.

Small increases in annual purchases and member retention in the club are the mechanics for greater success.

Predictive analytics, such as understanding when a customer is likely to tip out, and developing strategies to counter that, is a way to improve performance of club membership duration.

Wine Club Annual Change in Growth, Attrition, and Churn Rate



Growth in club members is a great metric, but not in isolation. If you grow your club by 50% and have a 50% attrition rate, you are highly inefficient, with 100% churn. You're spinning your wheels and spending money just to stand still!

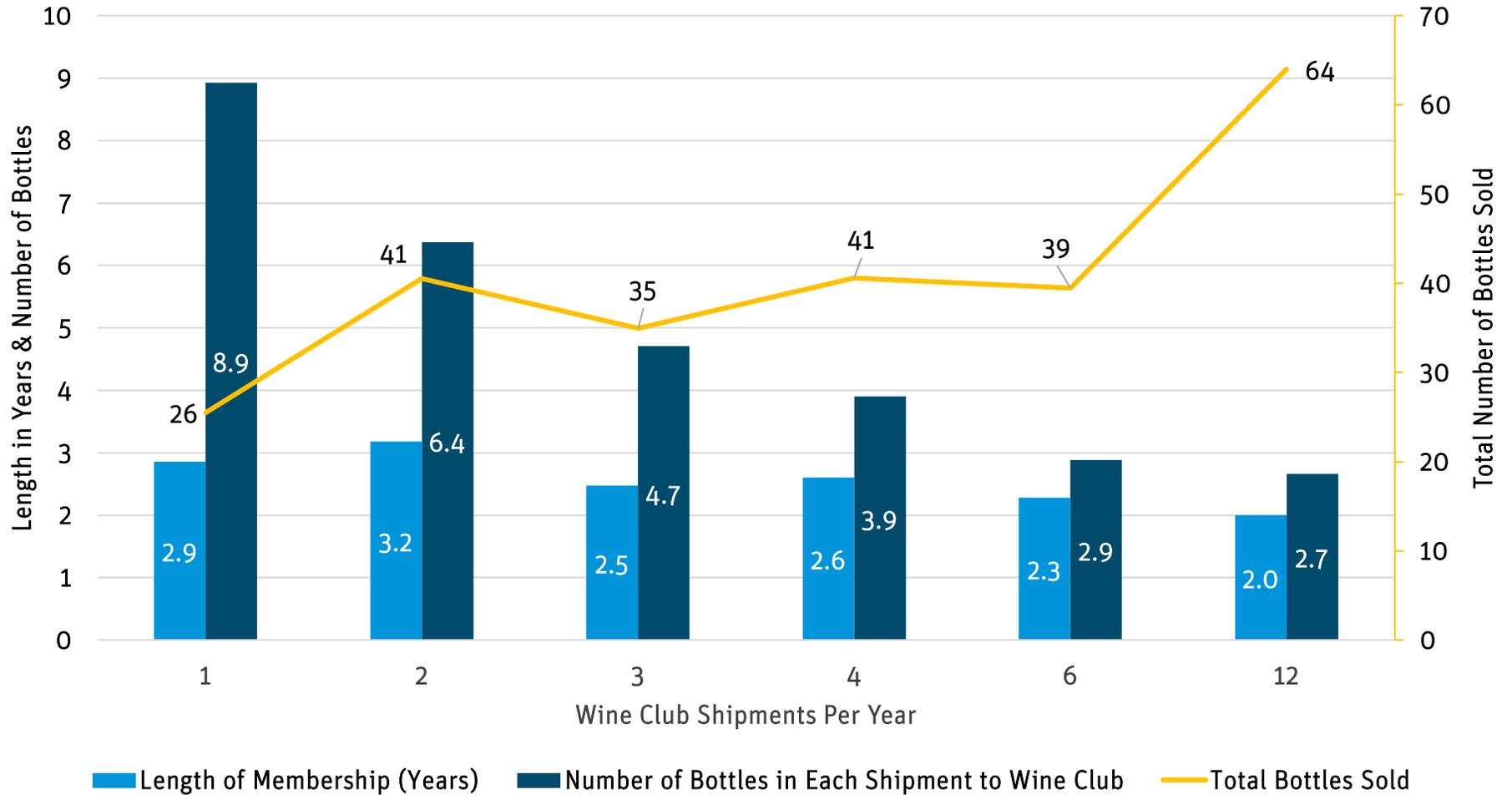
This chart shows how in 2020 the industry had a massive churn in the club. The growth rates dropped during the recession, approaching the attrition rate. Similar to many metrics, growth rate and churn rebounded in 2021.

A good benchmark for your winery to focus on is the churn rate. A churn rate of 50% should be a basic goal.

Wine Club Membership Length by Number of Shipments per Year

Metering the number of shipments and bottles sold to a club member annually has a direct impact on the length of tenure in your club.

In this chart, a winery that sends 12 shipments per year and 2.7 bottles per shipment, will only keep the member for two years – but it will push out 64 bottles during those two years. Keeping members longer might be the best long-term approach, though it’s tempting to go with the strategy at the far right of this chart.





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