



2019

# DIRECT TO CONSUMER

Wine Shipping Report

## 2018 YEAR IN REVIEW

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**SOVOS**



2019 DIRECT-TO-CONSUMER WINE SHIPPING

# HIGHLIGHTS

IN 2018, CONSUMERS SPENT

**\$3 BILLION**

ON DTC WINE SHIPMENTS,



REFLECTING 12% ANNUAL GROWTH.

IN 2018, WINERIES SHIPPED

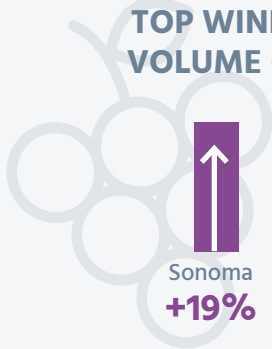
**OVER 6 MILLION**

CASES OF WINE,



REFLECTING 9% ANNUAL GROWTH.

## TOP WINERY REGIONS BY VOLUME GROWTH IN 2018



Sonoma  
**+19%**

Oregon  
**+19%**

Washington  
**+13%**

**10%**

OF DOMESTIC OFF-PREMISE RETAIL IS SHIPPED DIRECT TO CONSUMERS

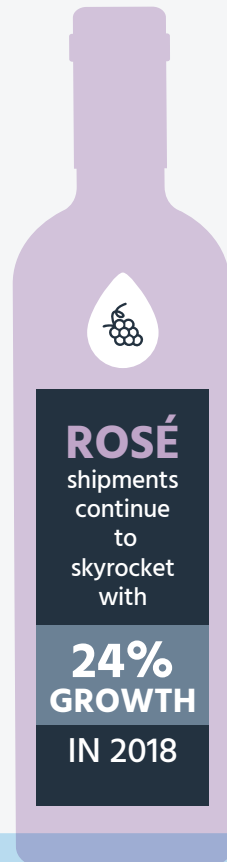


**Sonoma County,**

with **19% GROWTH IN VOLUME** and

**18% GROWTH IN VALUE** of shipments,

**overtakes Napa County** as the region with **MOST WINE SHIPPED BY VOLUME** (1.8 million cases)





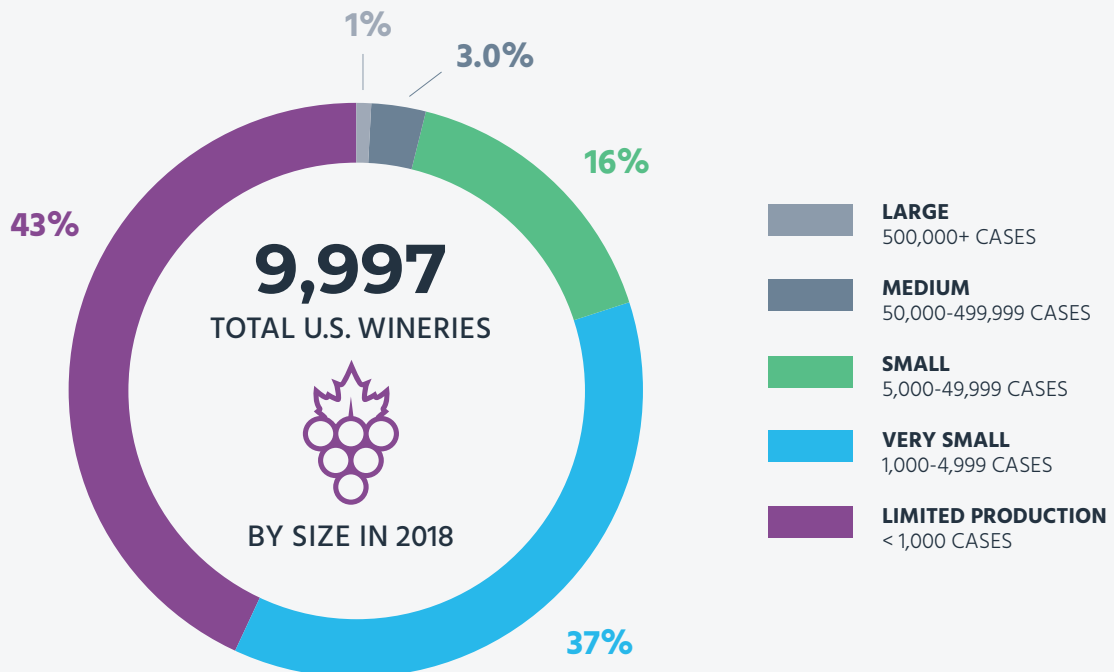
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# CREATION OF THE ANNUAL DTC SHIPPING REPORT

The Direct-to-Consumer (DTC) Wine Shipping Report is an annual collaboration between Sovos and Wines Vines Analytics, with data from ShipCompliant by Sovos and Wines Vines Analytics. The report examines wine shipments from wineries to consumers in the United States.

To produce this report, Wines Vines Analytics created an algorithm that uses its database of nearly 10,000 U.S. wineries to extrapolate all DTC shipments from millions of anonymous transactions filtered through the ShipCompliant by Sovos system in 2018. The model tracks sales by winery region, annual winery production, destination of shipments, wine type (varietal) and price points. The result is the most accurate projection of the American DTC shipping channel.





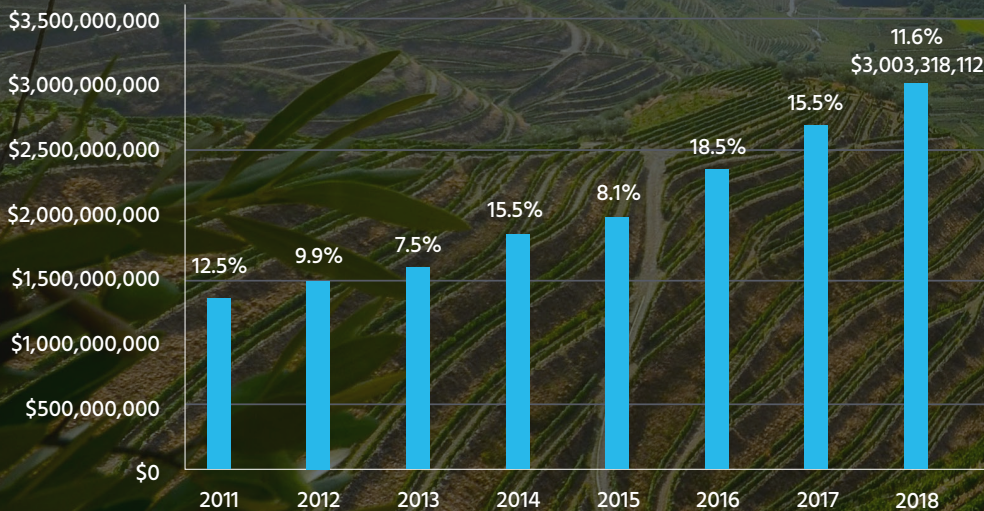
## OVERVIEW

DtC wine shipments in 2018 again demonstrated the dynamism of this channel, reaching \$3 billion in value for the first time, an 11.6 percent increase over 2017. Winery shipments have grown by more than \$1 billion in value in only three years, up 53 percent from 2015, as more states opened their borders to wine shipping and consumers flocked to this convenient option.

The volume of winery shipments increased by 8.9 percent in 2018, adding 516,000 cases over 2017 and reaching 6.3 million cases shipped. While this is a healthy increase, growth is slowing. The changes in both volume of wine shipped and the value of those shipments in 2018 underperformed the average increases for the past seven years. As last year's Direct-to-Consumer Wine Shipping Report predicted, this points to continued maturity of the DtC channel.

Price hikes were a key theme in 2018, with an overall 2.4 percent increase in the average price-per-bottle shipped—the largest year-over-year increase since 2011. For many regions, these price increases coincided with increasing sales volumes, but one region in particular - Napa - may have reached a pricing plateau.

### GROWTH IN VALUE: 2011-2018



# HIGHLIGHTS



## CONSUMERS ARE TRADING UP

Consumers opened their wallets and paid higher prices in 2018. The 2.4 percent increase in average price-per-bottle shipped was the largest one-year price increase since 2011. For context, that's nearly three times greater than the average change in price of 0.84 percent over the past seven years. Despite these increases, the popularity of high-end wines accelerated, with wines priced at \$100 or more increasing 18 percent in volume.

## OREGON REIGNS AS THE MOST DYNAMIC REGION FOR WINE SHIPMENTS

For the seventh straight year, Oregon winery shipment increases outpaced the overall market. In 2018, Oregon shipments increased 19 percent in volume, even with a 1.4 percent increase in average price per bottle. Strong consumer interest in Pinot Noir, particularly from Oregon, is propelling this trend.

## ROSÉ HAS ITS DAY

Consumers continued to embrace Rosé in 2018, as evidenced by the 24 percent increase in its shipment volume and 29 percent increase in shipment value. Rosé is now the eighth most commonly shipped wine by American wineries, which is remarkable given that in 2011, it was the least popular wine tracked in this report.

## NAPA HITS A PLATEAU

In past years, Napa grew its shipping volumes while simultaneously increasing prices, particularly for Cabernet Sauvignon. That was not the case in 2018. The volume of Napa County winery shipments increased 1.6 percent, trailing the overall wine shipping channel. This stagnation corresponded with a 7.1 percent increase in average price-per-bottle shipped - triple the price increases of the channel as a whole. The much slower growth of Napa shipments in 2018 may be a preview of slower growth nationally, but it may also indicate that consumers have reached their limit when it comes to Napa wine prices.

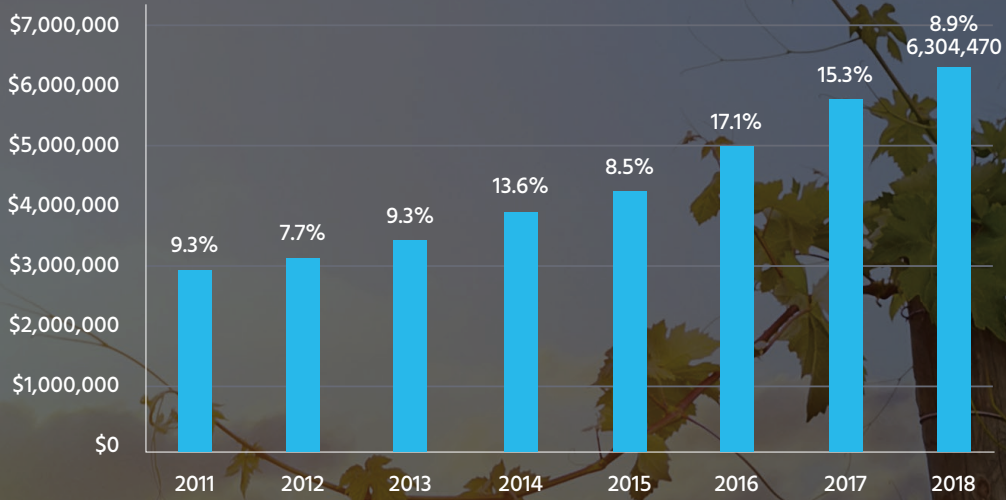
## WINERY SHIPMENTS REMAIN AT 10 PERCENT OF OFF-PREMISE DOMESTIC WINE SALES

Winery direct shipments in 2018 represented 10 percent of all off-premise domestic wine retail sales, the same as in 2017. According to Jon Moramarco, managing partner of BW 166 LLC and editor of the Gomberg & Fredrikson Report, total domestic sales of wines in the off-premise channel in 2018 (excluding bulk imports and including winery DtC sales) amounted to \$29.7 billion.

(Note: Data presented only reflects winery retail sales shipped direct to consumers. Total retail sales by wineries will exceed 10 percent of all domestic off-premise sales, as in addition to direct-shipped sales depicted here, many wineries engage in carry-out sales straight from their tasting rooms or licensed premises, which these data do not include.)



### GROWTH IN VOLUME: 2011-2018



### AVERAGE PRICE PER BOTTLE: 2011-2018







## PERCENT OF TOTAL RETAIL SALES OF DOMESTICALLY MADE WINES THAT ARE SHIPPED BY WINERIES



## 2018

# MONTH-BY-MONTH ANALYSIS



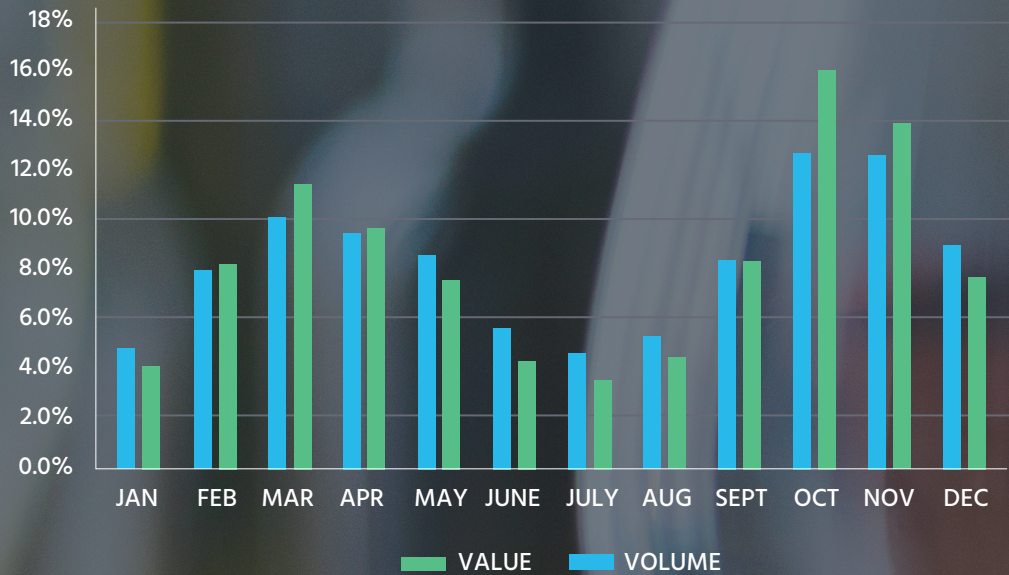
Monthly shipping patterns in the DtC channel are well established. Spring and fall wine club shipment schedules and increased tourism to wine country in summer and fall largely determine month-by-month shipments. Additionally, wineries resist shipping during extreme hot and cold weather, which also shapes patterns.

There was a notable exception to these patterns in 2017, when major fires in California disrupted shipments and pushed typical October deliveries into November and December. As a result, the market experienced a predictable year-over-year underperformance of volume increases during the last two months of 2018, as shipment patterns returned to normal. Likewise, shipment volume in October 2018 climbed 13.1 percent year-over-year after the previous year's fire impacted low volumes.

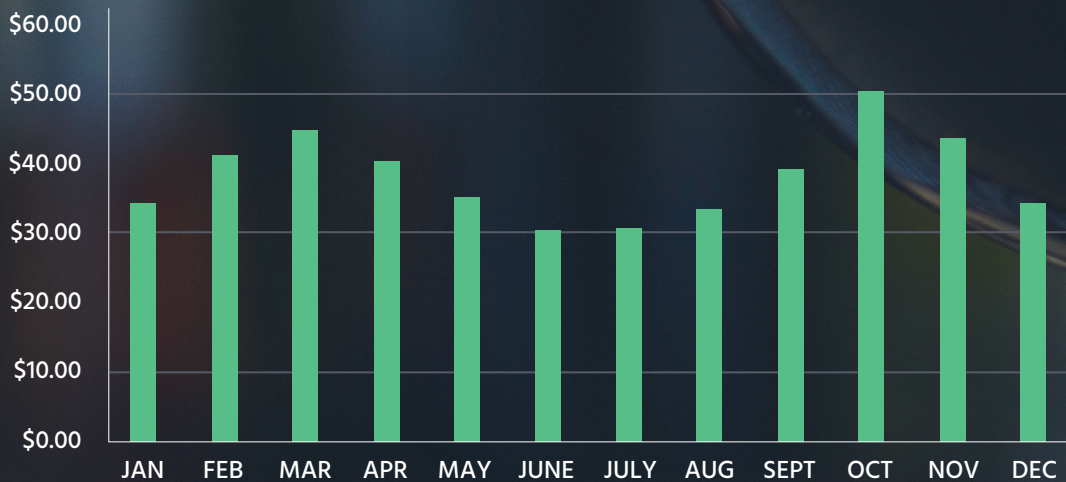
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### 2018 % OF TOTAL VOLUME & VALUE BY MONTH



### 2018 AVERAGE PRICE/BOTTLE SHIPPED BY MONTH



2018

## ANALYSIS BY WINERY REGION



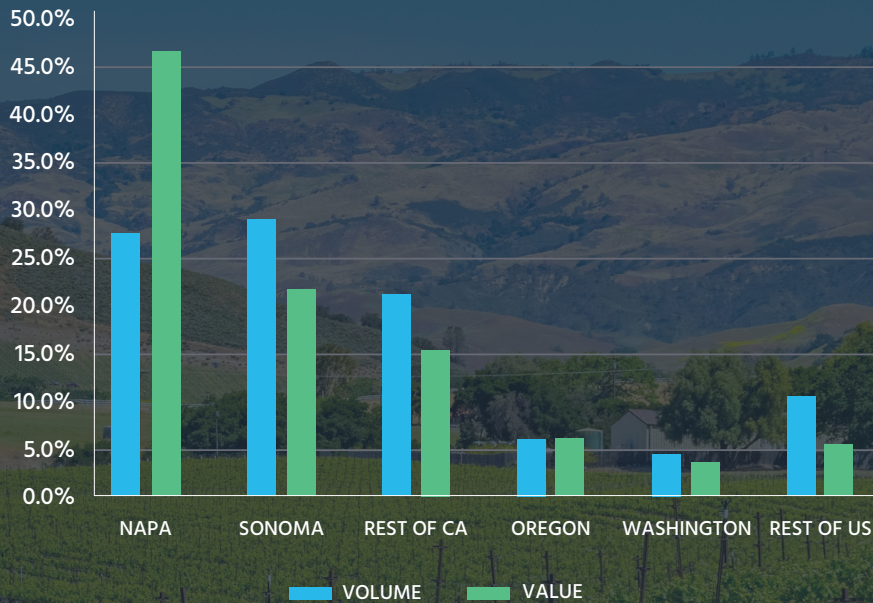
Sonoma County and Oregon wineries performed well in 2018, and they drove a sizable portion of the \$311 million surge in the DtC shipping channel. Sonoma County overtook Napa as the leading region for DtC shipments by volume, boasting impressive gains in value, as well.

Meanwhile, Oregon continued its now seven-year growth run, considerably outperforming the overall DtC wine shipping channel in 2018. Oregon shipments improved in both volume and value, even while wineries increased their average price-per-bottle shipped by 1.4 percent. This indicates a notable increase in demand.

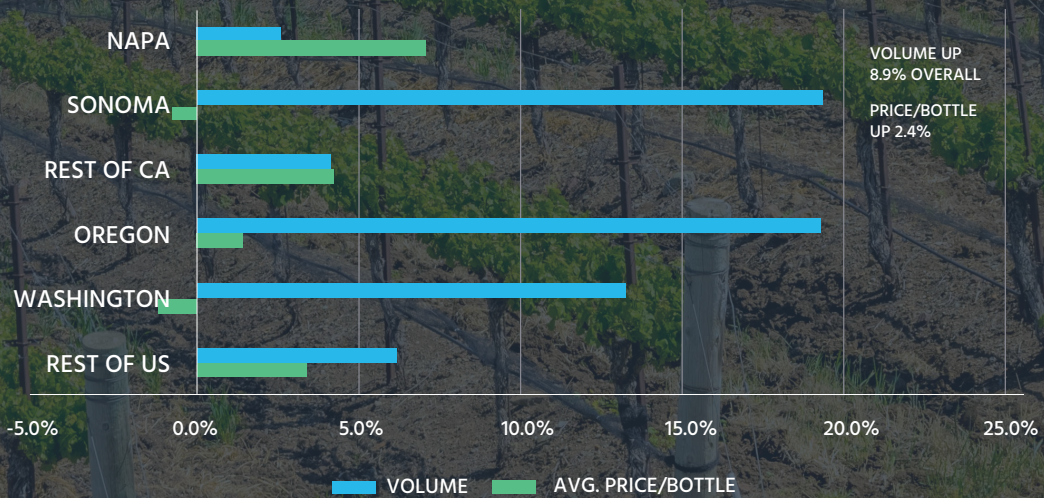
Washington wineries also outperformed the overall shipping channel in volume and value, but only through decreases in the average price-per-bottle shipped. Finally, California wineries outside Napa and Sonoma, as well as wineries located outside the West Coast, significantly underperformed the overall U.S. winery shipping channel.



## 2018 PERCENT OF TOTAL VOLUME & VALUE BY REGION

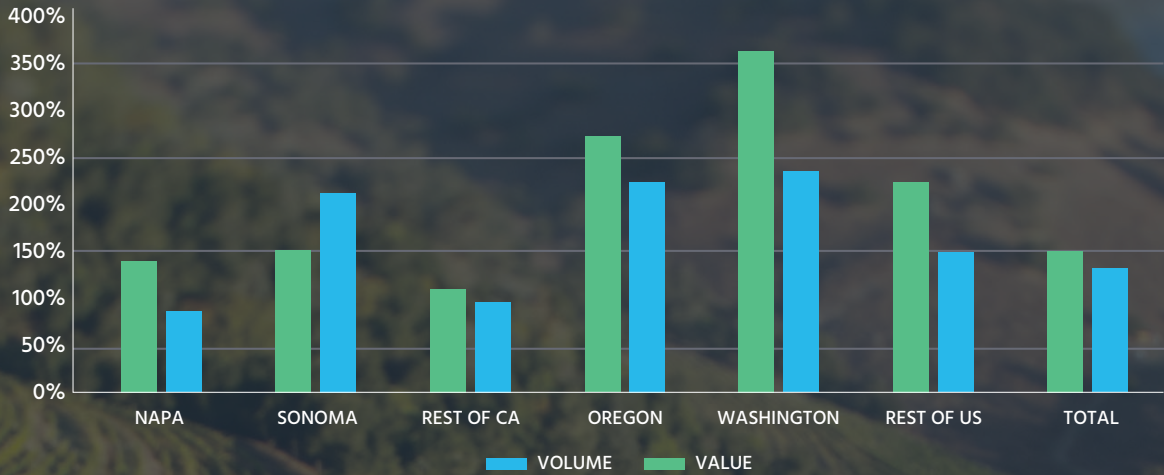


## 2018 CHANGE IN VOLUME & PRICE/BOTTLE BY REGION

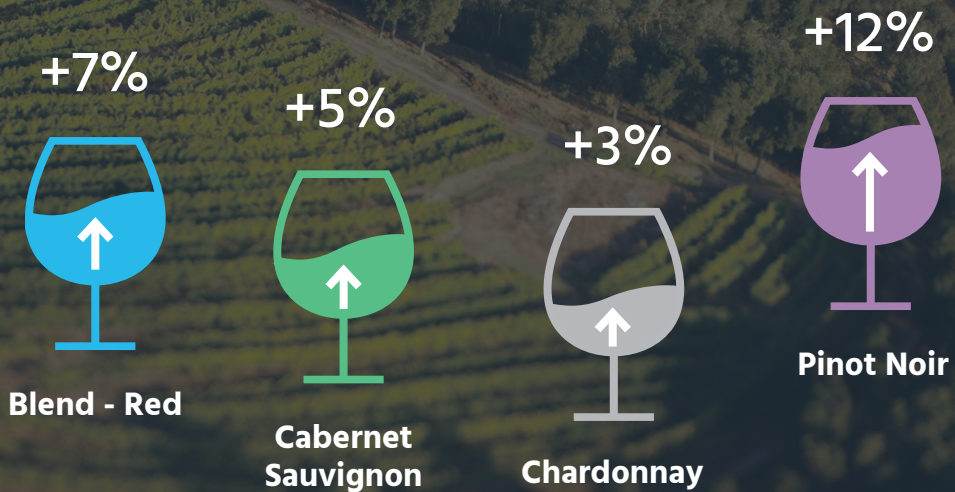




### 2010-2018 PERCENT CHANGE IN TOTAL VOLUME AND VALUE BY REGION



### TOP 4 VARIETALS IN NAPA, PRICE INCREASE



## NAPA COUNTY

Since the industry began tracking the winery-to-consumer shipping channel, Napa County wineries have set the pace, consistently driving the growth of the overall market. However, 2018 was an exception to the rule. Napa County's volume and value of wine shipments to consumers lagged considerably behind the overall channel. Price increases are likely to blame for the meager 1.6 percent increase in volume of shipments and 8.8 percent increase in shipment value.

Price increases are not new in Napa. Since 2011, the average price-per-bottle shipped from Napa wineries increased 23 percent, while the average price of Napa Cabernet Sauvignon shipped during the same period increased an incredible 39 percent. For comparison, the average increase of the five other regions tracked in this report over the same seven-year period is 6.5 percent. And now, Napa may have reached its threshold.

In 2018, the average price-per-bottle shipped from Napa County wineries increased by 7.1 percent, well above the overall shipping channel's 2.4 percent increase. This is one of the largest year-over-year per bottle price increases for any region recorded in the history of this report. However, in past years, increasing demand for Napa County wines mitigated the impact of price increases, allowing the region to match the overall shipping channel's gains. Not in 2018. It appears Napa may have pushed beyond consumers' willingness to spend.

Napa County wineries managed to sustain price increases for some varietals and still make gains in shipment volume. Other Reds, Rosé and Cabernet Franc each increased in both volume and price per bottle. However, the top four varietals shipped from Napa County in 2018, accounting for 62 percent of volume, all slowed in shipments, sacrificing volume for price increases.



Given the relatively poor performance of Napa County wineries in the DtC channel in 2018, it is time to ask whether Napa has found its price ceiling.

CHANGE IN VOLUME	2%
CHANGE IN VALUE	9%
CHANGE IN PRICE	7%
AVG. PRICE PER BOTTLE	\$67.10



## SONOMA COUNTY

Sonoma County had an impressive 2018. While decreasing its average price-per-bottle shipped a mere 0.8 percent, the county's wineries expanded their volume of shipments by 19 percent and the value of those shipments by 18 percent. This performance propelled Sonoma ahead of Napa as the region with the greatest volume of shipments.

Though Sonoma County wineries increased direct shipments by more than 200 percent since 2011, this surge came at the expense of pricing. Since 2011, the average price of a bottle shipped from Sonoma County has declined more than 17 percent. Of the six regions tracked in this report, Sonoma County is the only one to see a reduction in average price per bottle over the past eight years.

Sonoma's impressive increase in shipments in 2018 spanned nearly every type of wine shipped. Cabernet Sauvignon gained most significantly, with a 20 percent increase in volume of shipments and a 24 percent increase in the value of those shipments, with a 3.4 percent increase in average price per bottle.

Pinot Noir, the wine Sonoma shipped most, increased in volume by 17 percent and value by 14 percent, but was coupled with a 2.8 percent decrease in average price-per-bottle shipped. Meanwhile, Sonoma wineries caught Rosé fever. Sonoma County wineries shipped 17 percent more of this popular pink wine in 2018 than in 2017, with the value of those shipments increasing by 24 percent due to a 5.8 percent increase in average price per bottle.

CHANGE IN VOLUME	19%
CHANGE IN VALUE	18%
CHANGE IN PRICE	-1%
AVG. PRICE PER BOTTLE	\$29.49





## REST OF CALIFORNIA

The Rest of California region trailed behind the overall direct shipping market with only a 4 percent increase in volume and a 9 percent increase in value over 2017. However, the average price-per-bottle shipped from wineries located outside of Napa and Sonoma counties increased by 4.2 percent in 2018—notably more than the overall wine shipping channel.

There is diminishing growth in demand in this region, as evidenced in the shipment of specific varietals. Pinot Noir, for example, is typically an important source of demand for California wineries outside of Napa and Sonoma. Yet in 2018, the volume of Pinot Noir shipments increased a mere 3.1 percent, despite the average price increase remaining near the rest of the winery shipping channel at 2.5 percent.

Perhaps the most important development in this region was the 17 percent increase in Red Blends'

average price-per-bottle shipped. At 17 percent, Red Blends represented the largest wine by volume shipped from the Rest of California, but its volume decreased by 3 percent in 2018 based on the price spike. This volume decrease reflects the region's primary problem over the past few years. Between 2012 and 2018, the total volume of wine shipped from the Rest of California region fell from 28 percent to 21 percent of the DtC shipping channel.

The region's primary achievement in 2018 was in Rosé shipments. The volume and value of Rosé shipments both increased 36 percent. Despite representing only 3 percent of all wines shipped from this region, Rosé shipments accounted for 35 percent of the total 2018 increase in shipment volume from California wineries located outside Napa and Sonoma.

CHANGE IN VOLUME

4%

CHANGE IN VALUE

9%

CHANGE IN PRICE

4%

AVG. PRICE PER BOTTLE

\$28.81



## OREGON

For seven straight years, Oregon’s winery-to-consumer shipping performance has far exceeded the other five regions tracked in this report. In 2018, Oregon continued to dominate, increasing the volume and value of shipments by 19 percent and 21 percent respectively, despite also increasing the average price per bottle by 1.4 percent. Since 2011, the volume of Oregon winery shipments sent direct to consumers has increased 300 percent, a surge far greater than any other tracked region.

Pinot Noir remains, by far, the most important wine in Oregon’s repertoire. In 2018, it represented 54 percent of all Oregon-shipped wine and accounted for 59 percent of the increase in value over 2017. It achieved these results by pushing a 15 percent increase in volume and 18 percent increase in value over 2017, with a 2.6 percent increase in the average price-per-bottle shipped. To put this in

perspective, Oregon’s reliance on Pinot Noir is greater than Napa’s dependence on Cabernet Sauvignon and Red Blends combined.

Nearly every varietal Oregon wineries shipped outpaced the overall DtC channel in volume and value increases in 2018. This highlights another trend; Oregon wineries are diversifying their offerings. While Oregon still leans heavily on Pinot Noir, the varietal’s share of total volume shipped has decreased by 5 percent since 2011. Wines like Chardonnay, Rosé, Other Reds, Other Whites and Cabernet Sauvignon, on the other hand, have all increased their percentage of total volume shipped by more than 50 percent in the same time frame. Rosé, most notably, increased in percentage of total volume shipped by more than 11 percent since 2011, bolstered by a 53 percent year-over-year increase in volume shipped in 2018, the largest increase in Rosé shipments from any region.

CHANGE IN VOLUME

19%

CHANGE IN VALUE

21%

CHANGE IN PRICE

1%

AVG. PRICE PER BOTTLE

\$39.70



## WASHINGTON STATE

While Washington State continues to ship the least wine of any region tracked in this report, its wineries have continued to increase their total share of volume shipped. In 2018, the region's share of volume increased to just under 5 percent. With a 13 percent increase in volume and 12 percent increase in the value of shipments over 2017, Washington State outperformed the overall shipping channel for the third year in a row.

This performance came with a 1.3 percent decrease in average price-per-bottle shipped—by far the largest price decrease of any region tracked. In fact, Washington's multi-year trend of outperforming the overall shipping channel has been fueled by a near steady decrease in pricing since 2012.

While nearly half of the wine types Washington wineries shipped in 2018 decreased in average price, Cabernet Sauvignon stands out as a top performer. Washington Cabernet Sauvignon shipped direct to consumers increased 2.4 percent in average price per bottle to \$46.10 in 2018. Even with this increase, its volume shipped spiked by 17.5 percent.

The national obsession with Rosé benefitted Washington's shipments. Despite an 11.7 percent increase in the average price-per-bottle shipped over 2017, Washington's Rosé shipments to consumers increased by 21.5 percent. Rosé shipments from Washington wineries now account for 4 percent of the state's shipping volume, up from 2 percent in 2011.

CHANGE IN VOLUME

13%

CHANGE IN VALUE

12%

CHANGE IN PRICE

-1%

AVG. PRICE PER BOTTLE

\$32.98





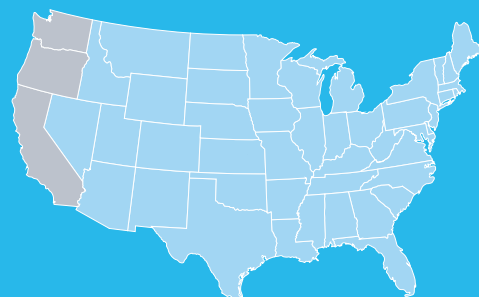
## REST OF U.S.

After four consecutive years of ramping up DtC shipping and outperforming the overall channel, wineries not on the West Coast saw less demand for shipments in 2018. With a 3 percent increase in average price-per-bottle shipped, wineries in the Rest of U.S. category increased volume of shipments in 2018 by only 6 percent, while the value of those shipments increased 10 percent.

The Rest of U.S. region remains the source of the most diverse set of wines shipped. Among the top five wines shipped from this category are Red Blends, White Blends, Other Red and Other White. This is because many states, particularly on the East Coast and in the Midwest, trade in hybrids and lesser known vinifera grapes.

Of all the Rest of U.S. wines, Cabernet Sauvignon most significantly outperformed the overall winery shipping channel. Its average price-per-bottle shipped increased an impressive 14.7 percent, yet volume shipped still increased by 42 percent and the value of those shipments rose 63 percent. Cabernet Sauvignon represented 6 percent of all shipments from the Rest of U.S. region in 2018, up from 3.9 percent in 2015.

CHANGE IN VOLUME	6%
CHANGE IN VALUE	10%
CHANGE IN PRICE	3%
AVG. PRICE PER BOTTLE	\$21.34



2018

# ANALYSIS BY WINERY SIZE

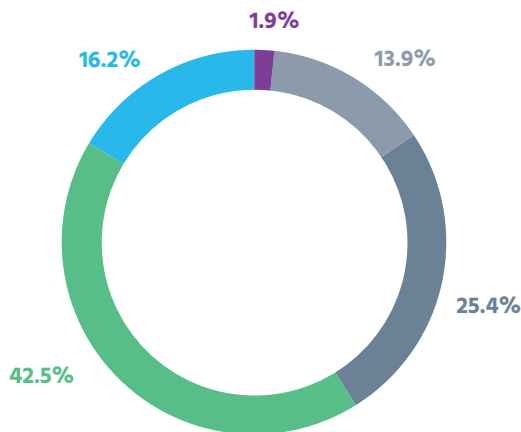


The small winery category (5,000 to 49,999 annual case production) dominated the winery shipping channel in 2018, producing 43 percent of the total cases shipped and 46 percent of the value of winery shipments, all on growth that closely tracked with the overall shipping channel. However, it was the smallest “limited”-sized wineries

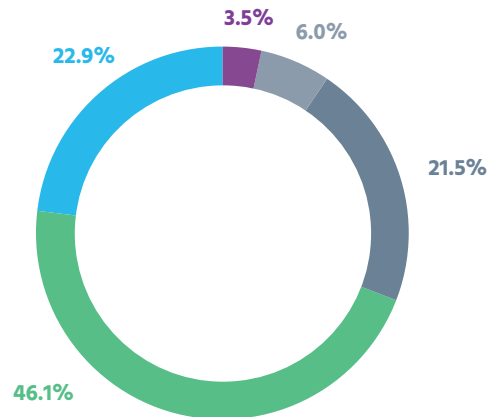
and largest wineries that grew most robustly in 2018. Together, the limited (fewer than 1,000 cases produced annually) and large (more than 500,000 cases produced annually) wineries accounted for only 9.5 percent of the total value of winery shipments in 2018. However, they represented 24 percent of the increase in the overall value of shipments.

The only category that significantly lagged behind the overall winery shipping channel was medium-sized wineries (50,000 - 499,999 cases produced annually), which grew minimally in both the volume and value of shipments in 2018 after noteworthy success in 2017.

VOLUME BY WINERY SIZE



VALUE BY WINERY SIZE



**LARGE**  
 500,000+ CASES

**MEDIUM**  
 50,000-499,000 CASES

**SMALL**  
 5,000-49,000 CASES

**VERY SMALL**  
 1,000-4,999 CASES

**LIMITED PRODUCTION**  
 <1,000 CASES

**LIMITED WINERY SIZE**

(Fewer than 1,000 cases produced annually)

After two years of lagging behind the growth of the overall direct shipping channel, these smallest wineries roared back to life in 2018. Emblematic of consumers’ move toward higher priced wines, limited-sized wineries increased their average price-per-bottle shipped by 12.2 percent, leading to a 31.8 percent increase in the value of shipments and an 17.5 percent increase in the volume of shipments over 2017. The average price of a bottle shipped from these wineries rose from \$64.37 in 2017 to \$72.22 in 2018.

This recovery is important given that these small wineries rely on DtC sales more than any other category of wineries.

**VERY SMALL WINERY SIZE**

(1,000 - 4,999 Cases produced annually)

The very small winery category has closely tracked or exceeded the overall growth of the DtC shipping channel for the past six years. Very small wineries replicated those consistent gains in shipments in 2018, with 7 percent growth in the volume of wine shipped and 10.1 percent growth in the value of wine shipped. This rise occurred despite a 2.7 percent increase in average price per bottle shipped.

Since 2011, the overall winery shipping channel has increased its value by 125 percent. The consistent growth of the very small winery category has been a huge driver of these gains, with a 179 percent increase in sales since 2011. Moreover, these wineries increased their share of the overall shipping channel’s value from 17 percent to 23 percent during that same span.

CHANGE IN VOLUME	17.0%
CHANGE IN VALUE	32.0%
CHANGE IN PRICE	12.0%
AVG. PRICE PER BOTTLE	\$72.22

CHANGE IN VOLUME	7.0%
CHANGE IN VALUE	10.0%
CHANGE IN PRICE	3.0%
AVG. PRICE PER BOTTLE	\$55.95



**SMALL WINERY SIZE**

(5,000 - 49,999 Cases produced annually)

The small winery category is by far the most important to the direct shipping channel, representing 42.5 percent of the volume of wine shipped and 46.1 percent of its value in 2018. Overall, it tracked closely with the changes in the shipping channel as a whole, with an 7.7 percent increase in volume, 10.8 percent increase in value and 2.8 percent increase in average price-per bottle-shipped. However, small wineries continued a troubling trend in 2018. Since 2011, these wineries have slowly lost their share of market to both very small and medium-sized wineries, slipping from 48 percent to 43 percent.

CHANGE IN VOLUME	8.0%
CHANGE IN VALUE	11.0%
CHANGE IN PRICE	3.0%
AVG. PRICE PER BOTTLE	\$42.99

**MEDIUM WINERY SIZE**

(50,000 -499,999 Cases produced annually)

Medium-sized wineries did not keep pace with the overall winery shipping category in 2018, marking only a 3 percent increase in volume of shipments and a 6.6 percent increase in the value of those shipments. These wineries managed an above average 3.5 percent increase in average price-per-bottle shipped, contributing to a considerable 25 percent increase since 2015. However, it is difficult to draw conclusions about this category as a whole given the vast differences in the size of the wineries within it and the fact that large wineries move in and out of the category from year to year.

CHANGE IN VOLUME	3.0%
CHANGE IN VALUE	7.0%
CHANGE IN PRICE	3.0%
AVG. PRICE PER BOTTLE	\$33.58

**LARGE WINERY SIZE**

(500,000 or More cases produced annually)

Since 2011, large wineries have found direct shipping religion. They increased winery-to-consumer shipment volume by 595 percent in that time period, far and away the largest increase in volume among the five size categories tracked in this report. In this same eight-year span, these wineries increased their share of volume from 4.3 percent to 13.9 percent.

CHANGE IN VOLUME	28%
CHANGE IN VALUE	37.0%
CHANGE IN PRICE	7.0%
AVG. PRICE PER BOTTLE	\$17.28

After significant underachievement in 2017, large wineries returned to a growth pattern in 2018, increasing volume and value of shipments by a considerable 28 percent and 36.7 percent, respectively. Large wineries represented the most robust growth in shipments of all the tracked winery size categories, and this resurgence came with an accompanying 7 percent increase in average price-per-bottle shipped.

2018

## ANALYSIS BY VARIETAL



The top five varietals shipped to consumers in 2018 remained the same as in the past eight years: Cabernet Sauvignon, Pinot Noir, Red Blends, Chardonnay and Zinfandel. Together, these varietals represented 60 percent of the volume of wine shipped direct to consumers in 2018.

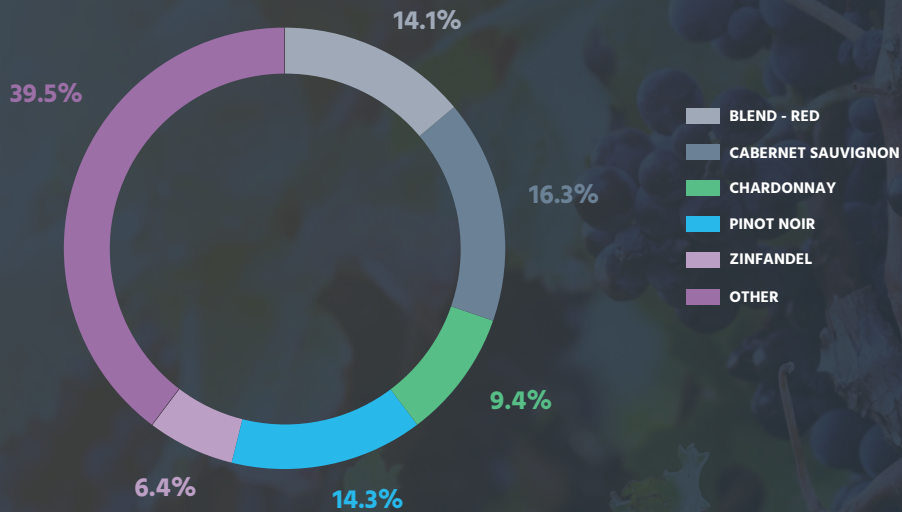
Pinot Noir solidified its status as the second most commonly shipped wine by both value and volume. In 2017, the varietal overtook Red Blends as the second most valuable type of wine shipped to consumers, and in 2018, it also earned the second spot by volume. Pinot Noir shipments outperformed the overall DtC channel, even while average price-per-bottle shipped increased 2.6 percent. Meanwhile, Red Blends experienced only mediocre growth in volume, due largely to a 7.2 percent increase in average price-per-bottle shipped.

Rosé shipments continued their seven-year rise in 2018. In 2010, the first year measuring the winery-to-consumer shipping channel, Rosé ranked dead last by volume among all varietals tracked. Now, Rosé shipments rank eighth out of 21 varietals by volume shipped, accounting for 3.6 percent of all wines shipped in 2018. This is due in part to Rosé's 24 percent and 29 percent increase in volume and value of shipments in 2018.

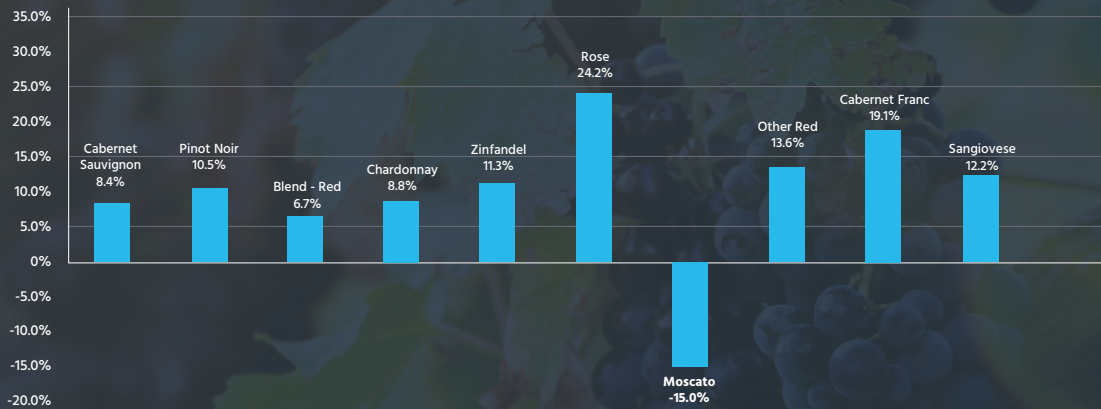
Other varietals with impressive shipping momentum in 2018 included Zinfandel (extending its gains from 2017), Other Reds, Cabernet Franc (continuing its rise beginning in 2014) and Sangiovese.

On the other side of the ledger, Moscato shipments have plummeted. In 2018, the average price of a bottle of Moscato shipped direct from wineries was \$7.30, by far the lowest average price per bottle shipped among all varietals tracked, and down nearly 50 percent from its 2016 high of \$13.38 per bottle shipped.

### TOP WINERY SHIPPED WINES BY VOLUME



### CHANGES IN VOLUME OF NOTABLE VARIETALS





2018

## ANALYSIS BY DESTINATION OF SHIPMENTS



After Pennsylvania wine lovers spurred increases in both the volume and value of shipments in 2018 (29.6 percent and 31 percent, respectively), the Keystone State now ranks in the top 10 states for shipments by both measurements. It sits in ninth place by total value of shipments and eighth by volume of shipments after only two full years for legal direct shipment from wineries. Pennsylvania will likely rise further in both categories over the next few years as shipments to the state continue to increase.

Also notable, shipments of wine to Oregon residents outperformed the overall DtC channel for the sixth year in a row. Shipments to Oregon residents increased 24.5 percent by volume and 23 percent by value in 2018, thrusting the state to the seventh most common destination for wine shipments. Its share of volume of all wine shipments increased by 106 percent since 2013.

Oklahoma officially opened for winery shipments on October 1, 2018. Initial data from just three months of shipping indicated a considerable degree of pent-up demand among the state's wine consumers, with \$4.3 million worth of wine shipped into the state in 2018.

Finally, California remains the most common destination for wine shipments, accounting for 30.2 percent of the volume and 32 percent of the value of all winery-to-consumer shipments nationwide. In 2018, shipments to Golden State customers increased 10 percent by volume and 11 percent by value, closely tracking changes in the overall shipping channel. However, a number of other states ranking in the top 10 for destination of shipments did not fare so well, including Virginia, Colorado, Illinois, Florida and New York, none of which kept pace with the overall growth of the DtC channel.



## 2018

# ANALYSIS BY PRICE



Consumers were clearly comfortable opening their wallets in 2018. The performance of the top and bottom price categories shows an affinity for higher priced wines, with those priced \$100 and above increasing shipped volume by 18 percent. By contrast, wines priced below \$30 per bottle increased shipments by only 6 percent.

Consumers' migration toward higher priced wines is a long-term trend. Wines shipped direct to consumers with prices at \$100 or above accounted for 4.3 percent of all shipments in 2011. Today, they account for 6 percent of all winery shipments. By contrast, wines shipped with an average price per bottle below \$30 accounted for 55 percent of all shipments in 2011. Today, they account for 51.8 percent of shipments.

For more comprehensive data,  
visit [shipcompliant.com/dtcreport19](http://shipcompliant.com/dtcreport19)



## 2018 PERCENT OF VOLUME & VALUE BY PRICE GROUP



## ANNUAL CHANGE IN VOLUME & VALUE BY PRICE CATEGORY





### GROWTH IN VALUE AND VOLUME FROM 2011-2018 BY PRICE CATEGORY



# CONCLUSIONS & FORECASTS



While the DtC winery shipping channel continued to increase by both volume and value in 2018, those increases were not as substantial as in most of the previous seven years. This is largely due to the lack of new states opening for wine shipments, an important driver of increased shipments in years past. In 2018, Oklahoma was the only new shipping destination, adding \$4.3 million to the direct shipping dollar totals since its borders opened in October. Price increases also contributed to slower volume growth in 2018.

## OKLAHOMA ADDED



**TO DIRECT SHIPPING DOLLAR TOTALS.**



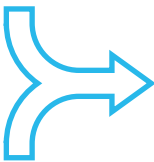
## CONCLUSIONS & FORECASTS

# LOOKING FORWARD ...CONTINUED



## 1 / Direct shipment increases will be organic.

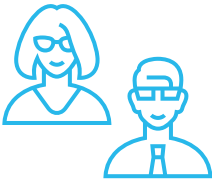
There are few states yet to open for winery-to-consumer shipments. They include Alabama, Delaware, Kentucky, Mississippi, and Utah, which represent only 6.2 percent of the U.S. population. Were these seven states open today for DtC shipping, they would add an estimated \$60 million to \$90 million to the value of the channel, a small percentage of the whole. Future DtC growth, therefore, must be organic, not a result of new states opening for shipments. Because of this, the channel will likely sustain healthy, but slower, growth in years to come.



## 2 / Competitors are here ... and more are coming.

Consumers seeking home delivery of wine have more options than just wineries, and competitors to winery direct shipments will only increase as consumers continue to demand direct shipping of all the products they buy. The subscription economy in particular is bringing more players into the direct shipping channel. These include new independent wine clubs, wine shipments associated with meal delivery companies, home deliveries from grocery stores and online alcohol marketplaces like Drizly.

In addition, the Supreme Court is poised to rule on the case of *Tennessee Wine & Spirits Retailers Association v. Blair* in late spring 2019. The case has the potential to open retailer-to-consumer shipping to more states, in addition to the 14 (including the District of Columbia) where this channel exists today.



### 3 / Millennials will replace boomers as key demand drivers.

With each year, Millennial wine drinkers are replacing the Boomer generation that was previously responsible for driving demand for wines shipped direct to consumers. Millennials, while currently spending far less than Boomers and Gen Xers on direct shipped wines, are far more accustomed to ordering products of every type remotely, which bodes well for the future of the winery-to-consumer shipping channel. Wineries that redirect their marketing efforts toward a generation with different expectations and different purchasing habits than Boomers and Gen Xers will be poised for continued growth among Millennial consumers.



### 4 / State and federal scrutiny will increase.

As the DtC channel continues to grow, regulators are taking a closer look at the entire supply chain – from producer to fulfillment to carriers to consumers. Expect more reporting requirements focused on enforcing licensing and tax regulations. Twenty-one states now require monthly shipping reports from carriers. Some states require fulfillment houses to be licensed and others mandate that producers specify their fulfillment partners on the producer license. In addition, the impact of the recent *South Dakota v. Wayfair* Supreme Court decision means sales tax will get more complex in most states, with local jurisdictions seeking to get their share of ecommerce shipment taxes. With the shift from adding new states to organic growth, staying on top of compliance is important to protecting and preserving the DtC channel.

## CONCLUSIONS AND FORECASTS

# ➤ LOOKING FORWARD ...CONTINUED



## 5 / Price increases necessitate tempered optimism.

Almost without exception, price increases in the overall winery-to-consumer shipping channel have been followed by flat or declining prices the following year. The price increases in 2018 on direct shipped wines were historically large. When this phenomenon is placed in the context of uncertain economic conditions and the possibility of flatter overall economic growth in 2019, there is reason to temper optimism for significant growth in the winery DtC channel over the short term. That said, the historic trajectory of this channel and shifting consumer preferences still point toward long-term success.



## ➤ ACKNOWLEDGMENTS

The 2019 Direct-to-Consumer Shipping Report is a collaboration between Sovos and Wines Vines Analytics.

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