



**SOVOS** ShipCompliant



# Shifting Wine Trends Amidst COVID-19

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Andrew Adams – Editor, Wines Analytics Report, Wines Vines Analytics

July 9, 2020

# THE WORLD AS WE KNOW IT NOW

| OVERALL   | COMMENTS   |
|---|--|
| Safety – health & hygiene   | #1 consideration   |
| Massive shifting of “WHERE”   | <ul style="list-style-type: none"> <li>• On to Off Premise under “RESTRICTED LIVING”; “RE-OPENING” likely protracted &amp; varies across the country</li> <li>• <u>ON</u> the premise to more delivery/take-out</li> <li>• A greater “homebody” economy</li> <li>• E-commerce/digital explosion</li> </ul> |
| Personalized connections  | Customers; Consumers - Never more important  |
| Consumers act/react differently <ul style="list-style-type: none"> <li>• Economic impacts</li> <li>• Health related behavior</li> </ul> | <ul style="list-style-type: none"> <li>• Constrained vs Insulated spenders?</li> <li>• Younger vs older?</li> </ul> <div style="border: 1px solid blue; padding: 5px; display: inline-block;">Who is <u>your</u> consumer?</div>   |
| Premiumization/Trading Up   | In some channels – YES, in some channels – NO<br>Muddier and more nuanced now  |
| Overall Consumption   | ???  |



COVID

# CONSUMER NEEDS/DESIRES REMAIN

...with a wide variety of beverage alcohol products to satisfy those needs

RELAXATION/  
UNWIND

TREAT/  
REWARD

CONNECTIONS  
(with social distance)



VALUE / ECONOMY  
CONSTRAINED CONSUMER



PREMIUM / LUXURY  
INSULATED CONSUMER

**AFFORDABLE LUXURY**

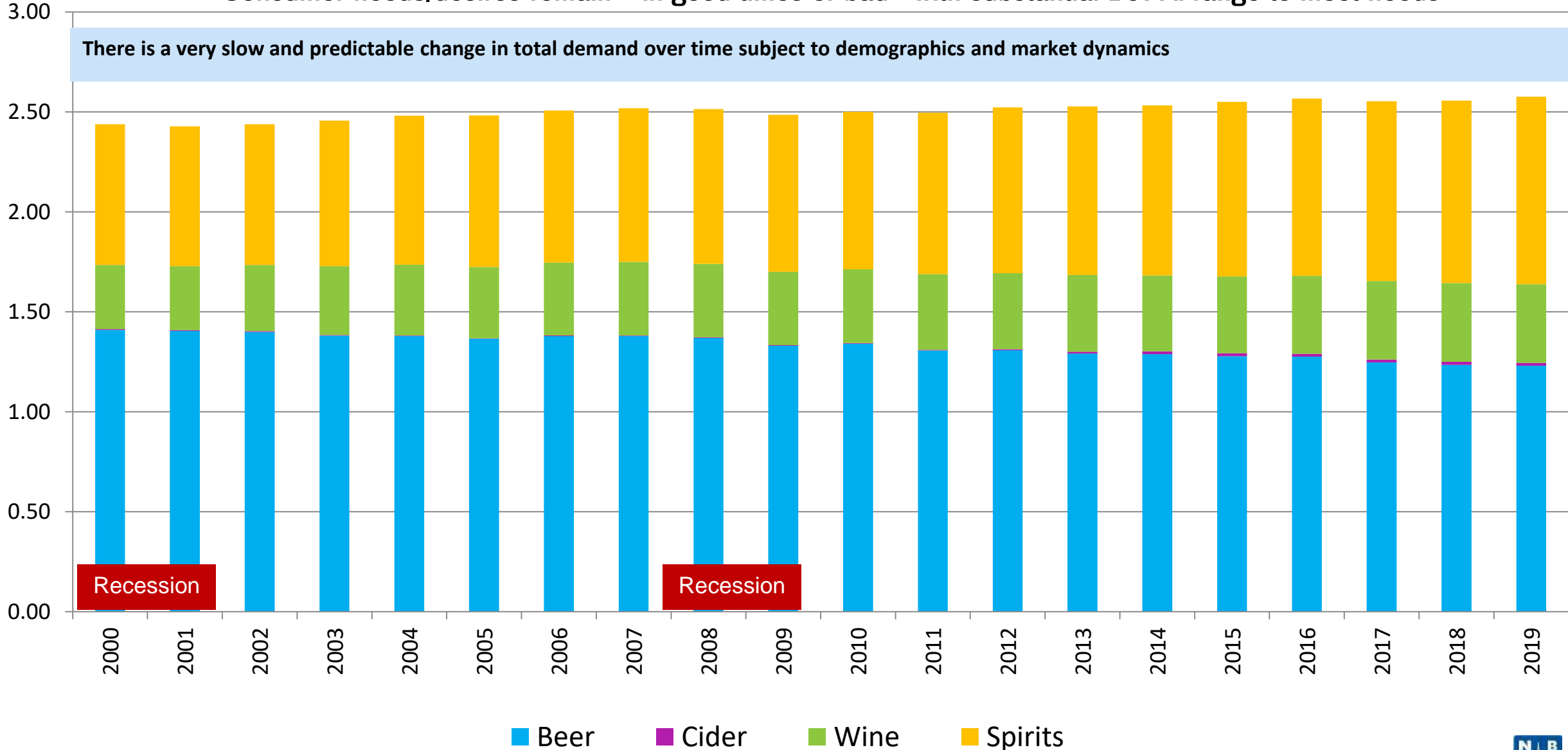
CONVENIENCE



DO IT/MAKE IT YOURSELF

# GALLONS OF ETHANOL CONSUMED PER CAPITA

Consumer needs/desires remain – in good times or bad - with substantial Bev AI range to meet needs

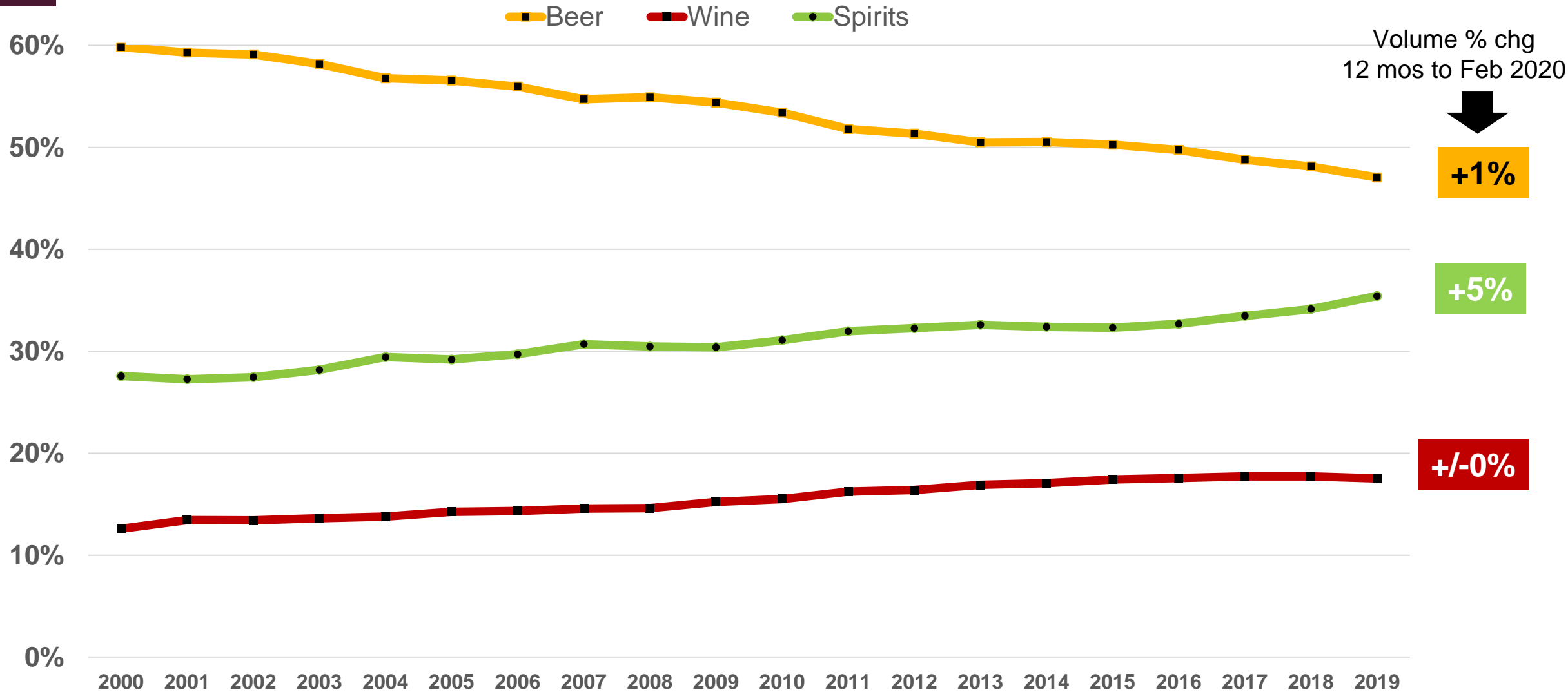


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# SPIRITS GAINING SHARE – AT BEER & WINE EXPENSE

**bw**  
**166**

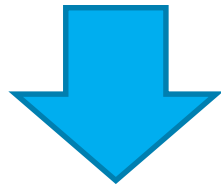
Share of Servings – Total Bev AI = 100%



Source: BW166

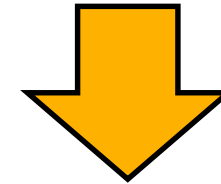


## Nielsen Retail Off Premise



\$17 billion; 183MM 9L cases

**ANNUAL 2019**



\$3.2 billion; 6.6MM 9L cases

**SOVOS** ShipCompliant

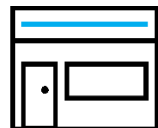


## DtC Wine Shipments

- online orders placed at Winery website
- winery wine club shipments to their members
- tasting room purchases shipped to consumers

**TOGETHER, a more complete picture of the off premise environment**

# NIelsen RETAIL MEASUREMENT TODAY



## OFF PREMISE

xAOC

- **Food** (Total US)
  - **Drug** (Total US)
  - **Mass Merchandiser** (Target, Walmart)
  - **Dollar** (Family Dollar, Dollar General)
  - **Select Warehouse Club Stores** (Sam's, BJ's)
  - **Military Exchanges** (AAFES, Nexcom, MCG, CGX)
  - As of July, including.....
  - **Whole Foods & several additional others**
- 
- **Convenience** (Total US)
  - **Liquor\*** (selected geographies/retailers)
    - *7 geographic markets + key Liquor chains •;*  
*includes Wine.com*



## ON PREMISE



- **TOTAL US**
  - Eating (Restaurants) vs. Drinking (Bars)
  - Chains vs. Independents
  - 3 Years of History
- 9 Census Divisions
- Boston, Chicago, Dallas, Denver, LA, NYC
  - *NOW AVAILABLE (Beer): Miami, Seattle, San Francisco, Tampa; State lines; more product granularity*
- Also available from NCGA:
  - Guest check level analysis
  - Daypart/week analysis
  - Key Holiday/event analysis

nielsen

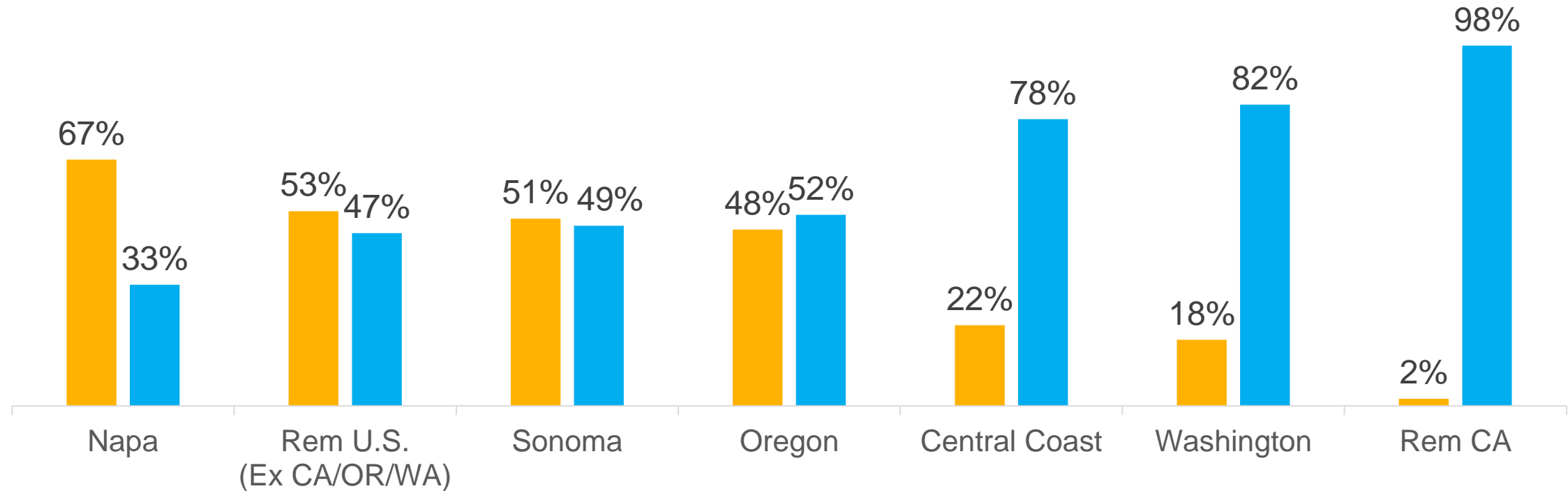


# DTC WINE SHIPMENTS MORE SIGNIFICANT TO NAPA, SONOMA, OREGON AND REM U.S.

Origin

% of Nielsen Off Premise + DtC Shipments

■ DtC Shipments ■ Nielsen



Source: Nielsen Retail Measurement of Off Premise Channels; Sovos ShipCompliant & Wines Vines Analytics DtC Wine Shipments; 52 weeks thru Feb 2020

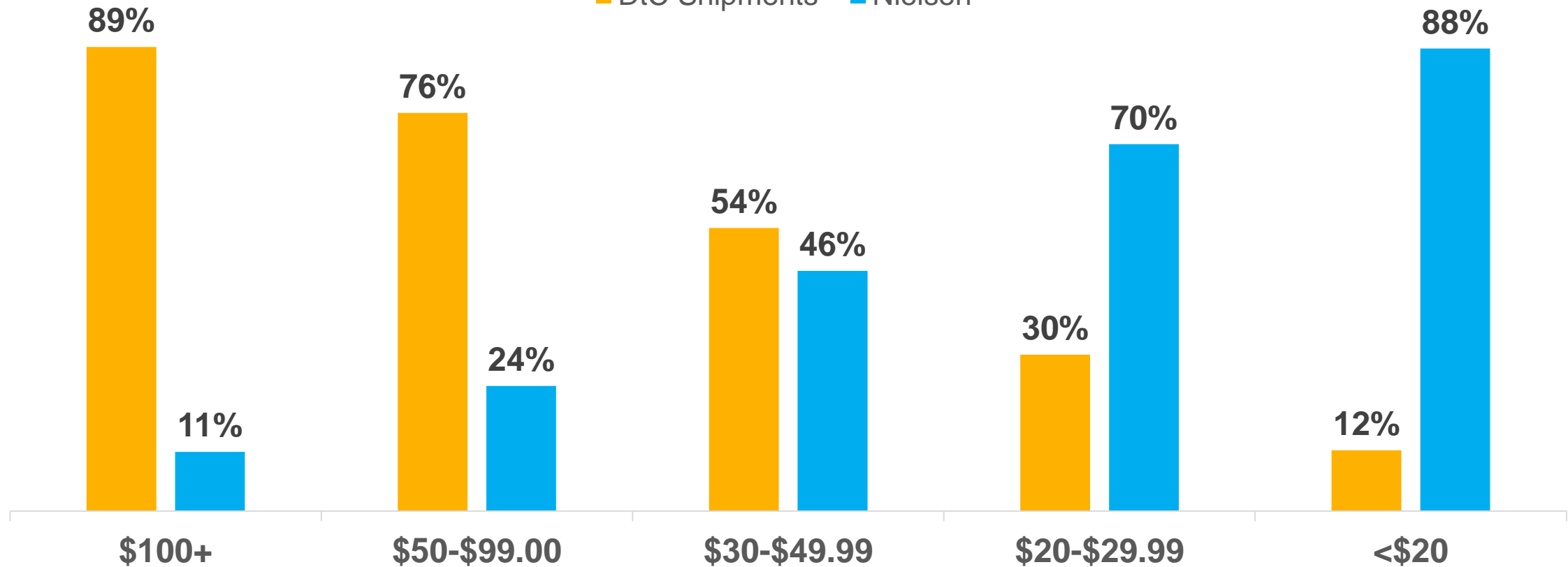


# OBVIOUSLY DTC WINE SHIPMENTS A MUCH MORE PREMIUM WINE SELLING CHANNEL

## Price Tier

% of Nielsen Off Premise + DtC Shipments (based upon price per 750 ML Equiv)

■ DtC Shipments ■ Nielsen



Source: Nielsen Retail Measurement of Off Premise Channels; Sovos ShipCompliant & Wines Vines Analytics DtC Wine Shipments; 52 weeks thru Feb 2020

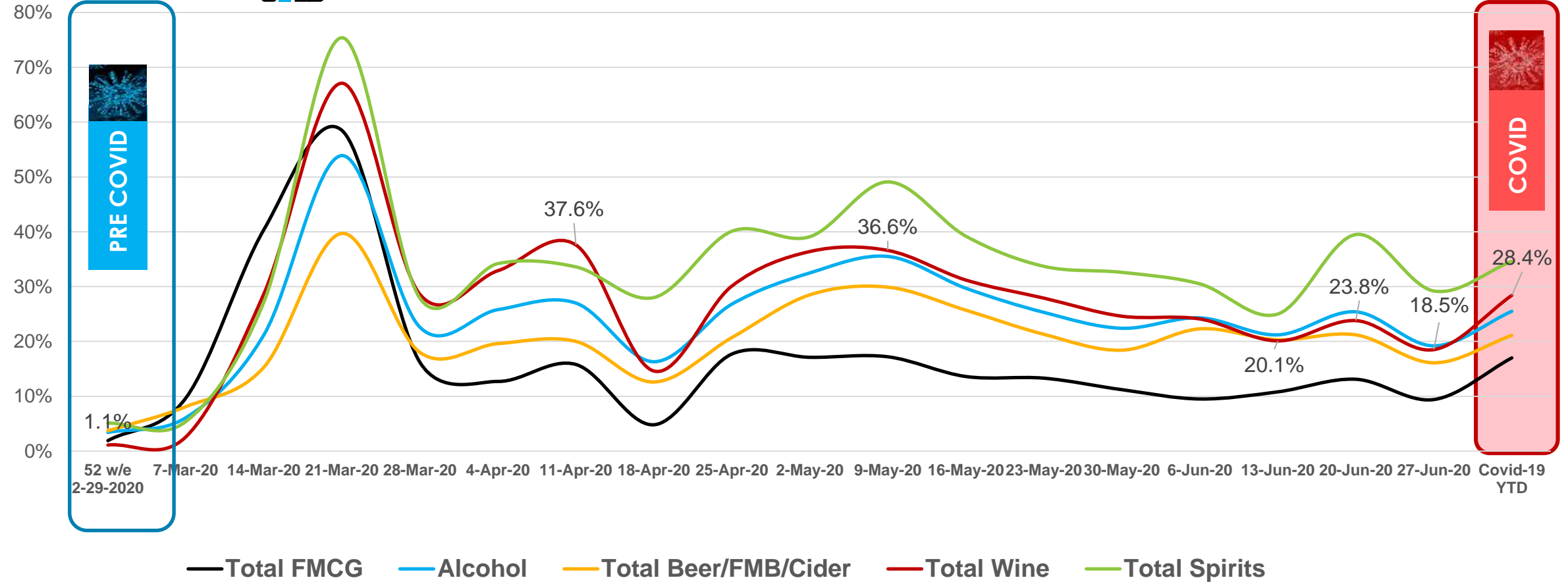
# SPIRITS LEADS OFF PREMISE RETAIL GROWTH, WINE NEXT, WITH BEER TRAILING

| COVID YTD | Value  | Volume |
|-----------|--------|--------|
| Wine      | +28.4% | +23.8% |
| Spirits   | +34.6% | +30.2% |
| Beer      | +21.1% | +16.9% |

Pre-COVID



Total U.S. – Nielsen Measured Off Premise Channels  
Percent change vs Year Ago (Dollars)



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through June 27, 2020

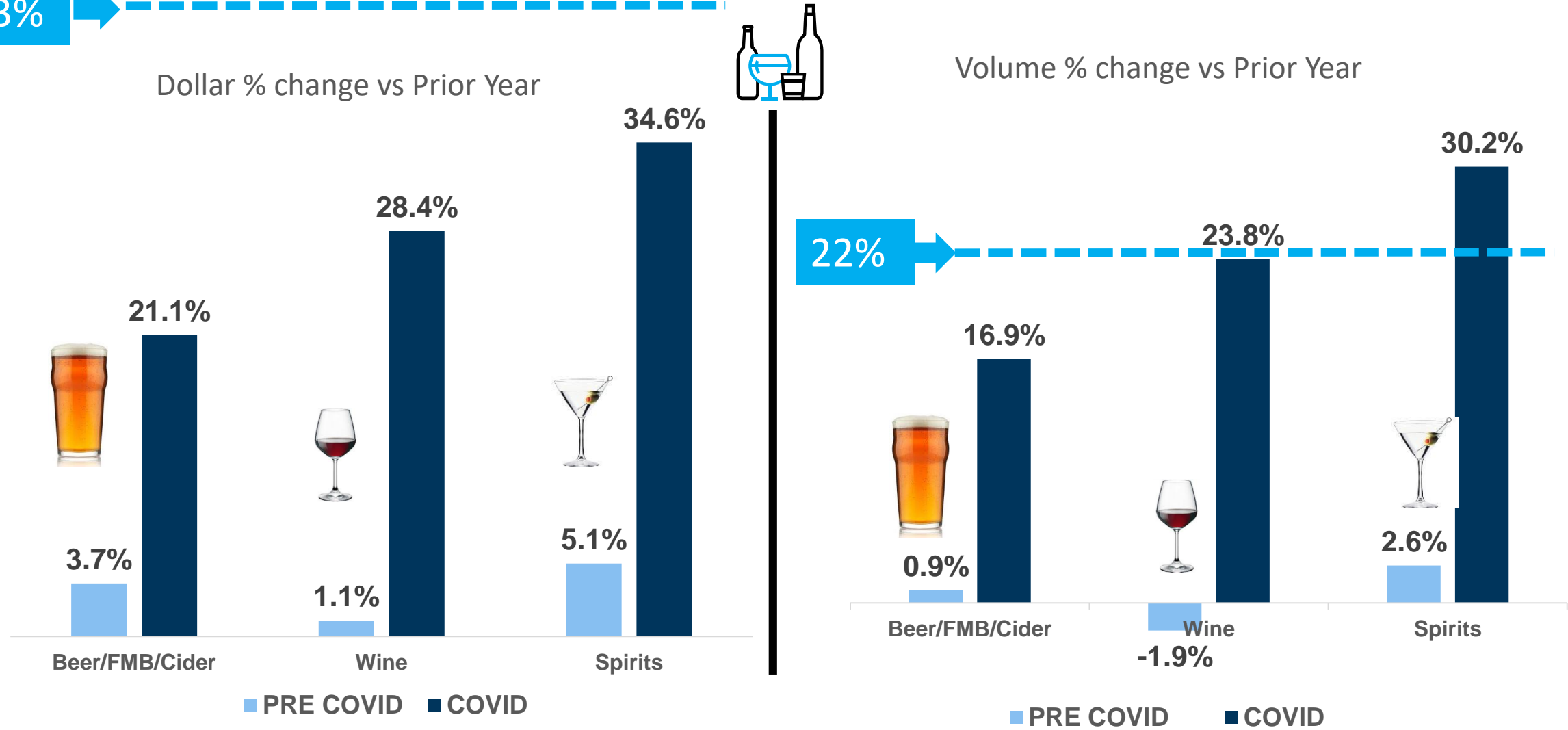
# SPIRITS GROWTH LEADS OFF PREMISE, FOLLOWED BY WINE, WITH BEER TRAILING

Full Lockdown Threshold

73%

Dollar % change vs Prior Year

Volume % change vs Prior Year



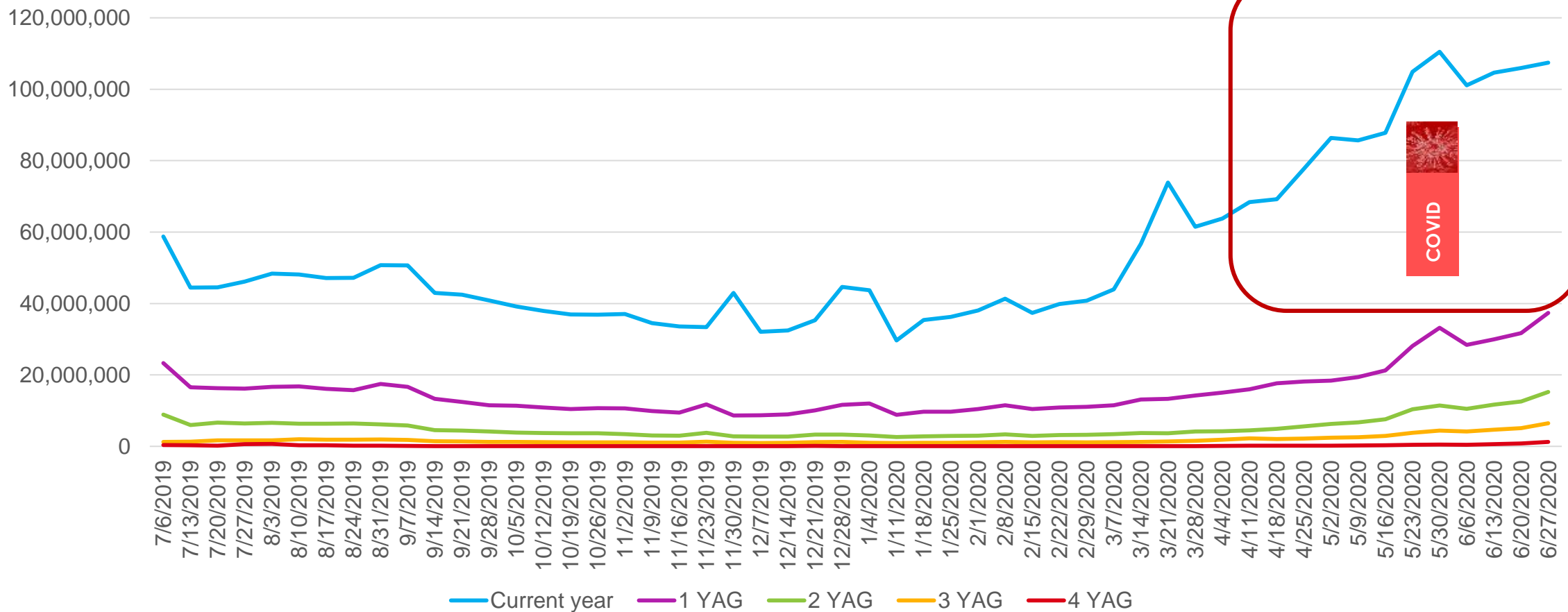
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Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 thru June 27, 2020; pre COVID 52 w/e Feb 29, 2020

# HARD SELTZERS – NOW \$2.8B ANNUALLY

Hard Seltzer type Spirits/Wine represent additional \$160MM annually (+35% vs YAG)

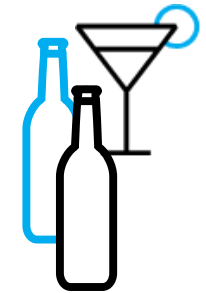
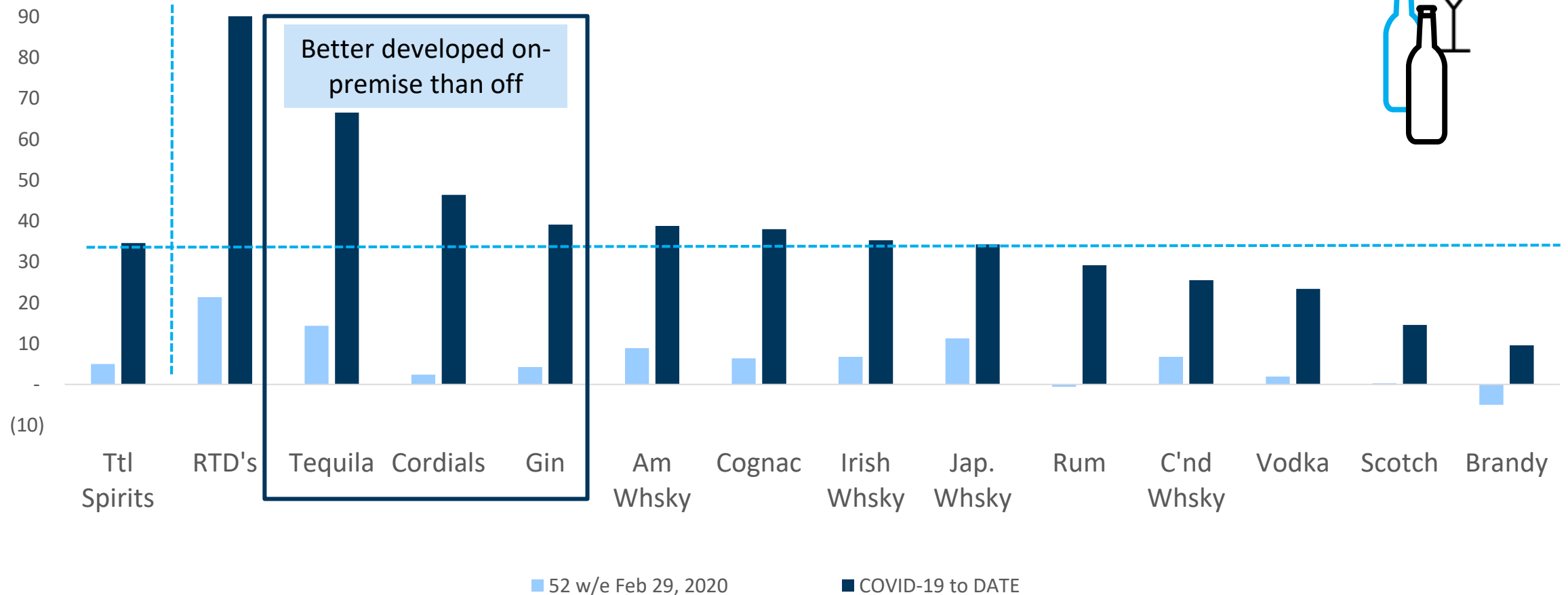
### Weekly Hard Seltzer Dollar Sales



# SPIRITS GROWTH LED BY RTD's, TEQUILAS, CORDIALS, GIN, BOURBON – from an at home convenience drink to a DIY drink



Percent change vs Yr Ago (Dollars)  
Total U.S. – Nielsen Measured Off Premise Channels



Better developed on-premise than off

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Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through June 27, 2020

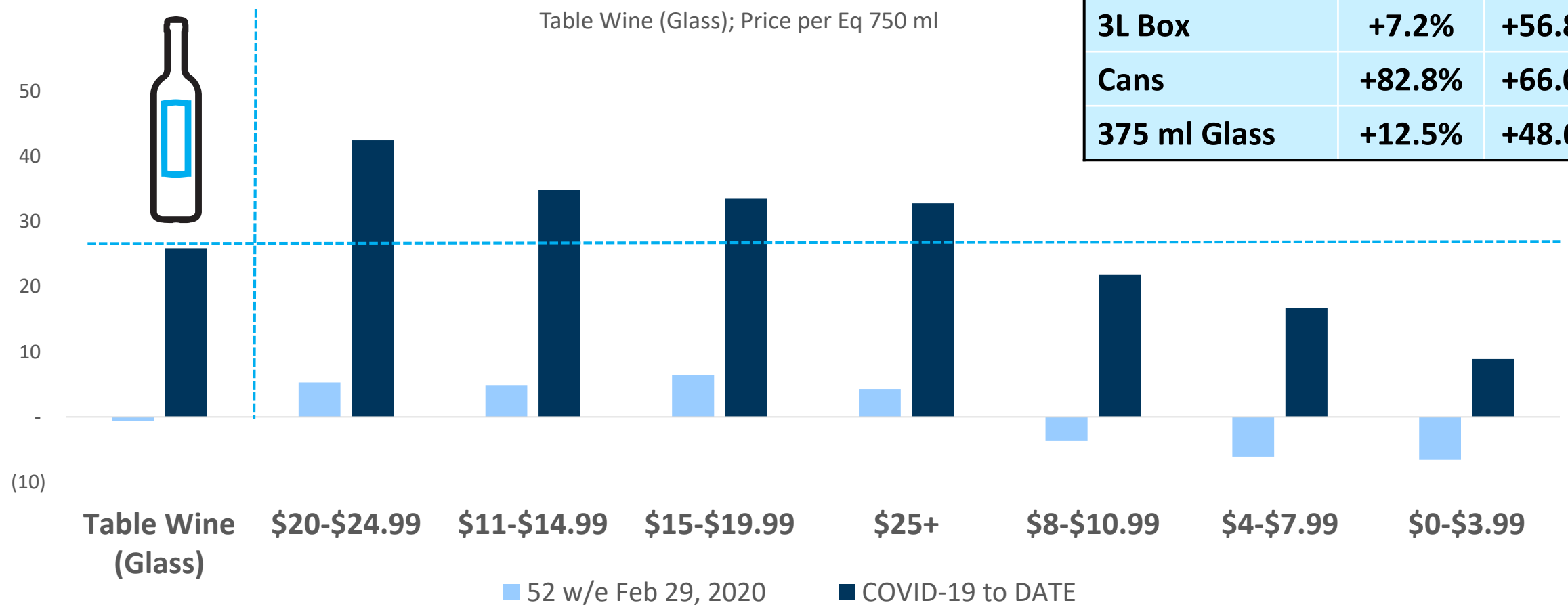
# WINE (GLASS) PRICE TIER GROWTH LED BY \$20-\$25



## And some others...

| COVID YTD (\$)        | Pre           | COVID         |
|-----------------------|---------------|---------------|
| <b>Imported Table</b> | <b>0.1%</b>   | <b>+30.8%</b> |
| <b>3L Box</b>         | <b>+7.2%</b>  | <b>+56.8%</b> |
| <b>Cans</b>           | <b>+82.8%</b> | <b>+66.0%</b> |
| <b>375 ml Glass</b>   | <b>+12.5%</b> | <b>+48.6%</b> |

Percent change vs Yr Ago (Dollars)  
 U.S. – Nielsen Measured Off Premise Channels  
 Table Wine (Glass); Price per Eq 750 ml

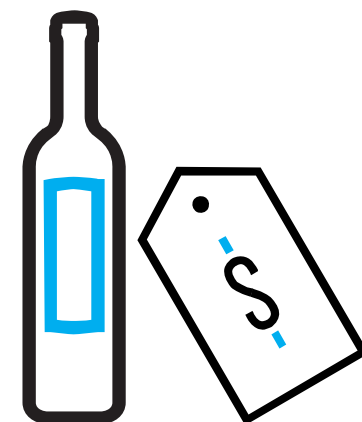


Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through June 27, 2020

# PREMIUMIZATION??? MORE NUANCED NOW

## Off Premise retail mix still premiumizing, BUT...

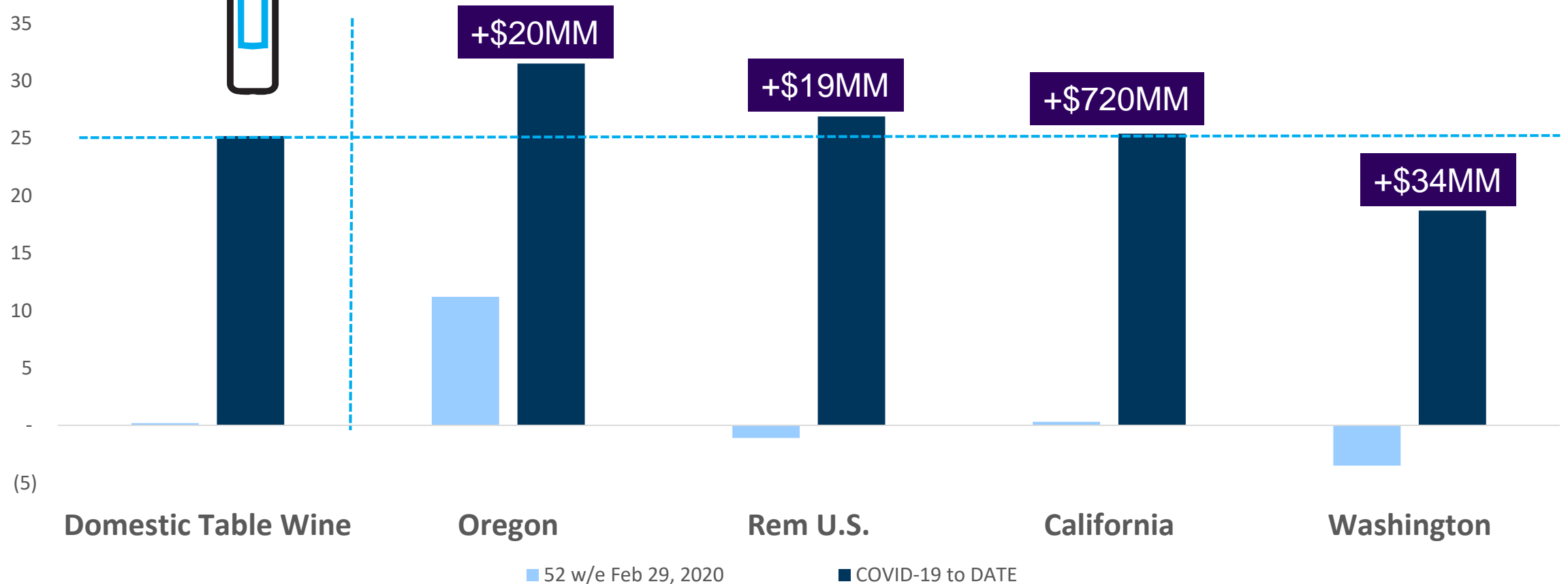
- Retail promotions declined; average selling prices increased
- On to Off premise shifts (same product; lower consumer \$ outlay)
- On Premise
  - incentives to bring people back
  - more competitive “alcohol to go” pricing
  - business related expense spending non-existent
  - 3-tier: tightened assortment (in favor of the ‘tried & true’)
- DtC Wine channel average price declining (trading down)



# DM ORIGIN % GROWTH LED BY OREGON (AS BEFORE), BUT ABSOLUTE \$ GAINS HEAVILY CALIFORNIA LED



Percent change vs Yr Ago (Dollars)  
U.S. – Nielsen Measured Off Premise Channels



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through June 20, 2020



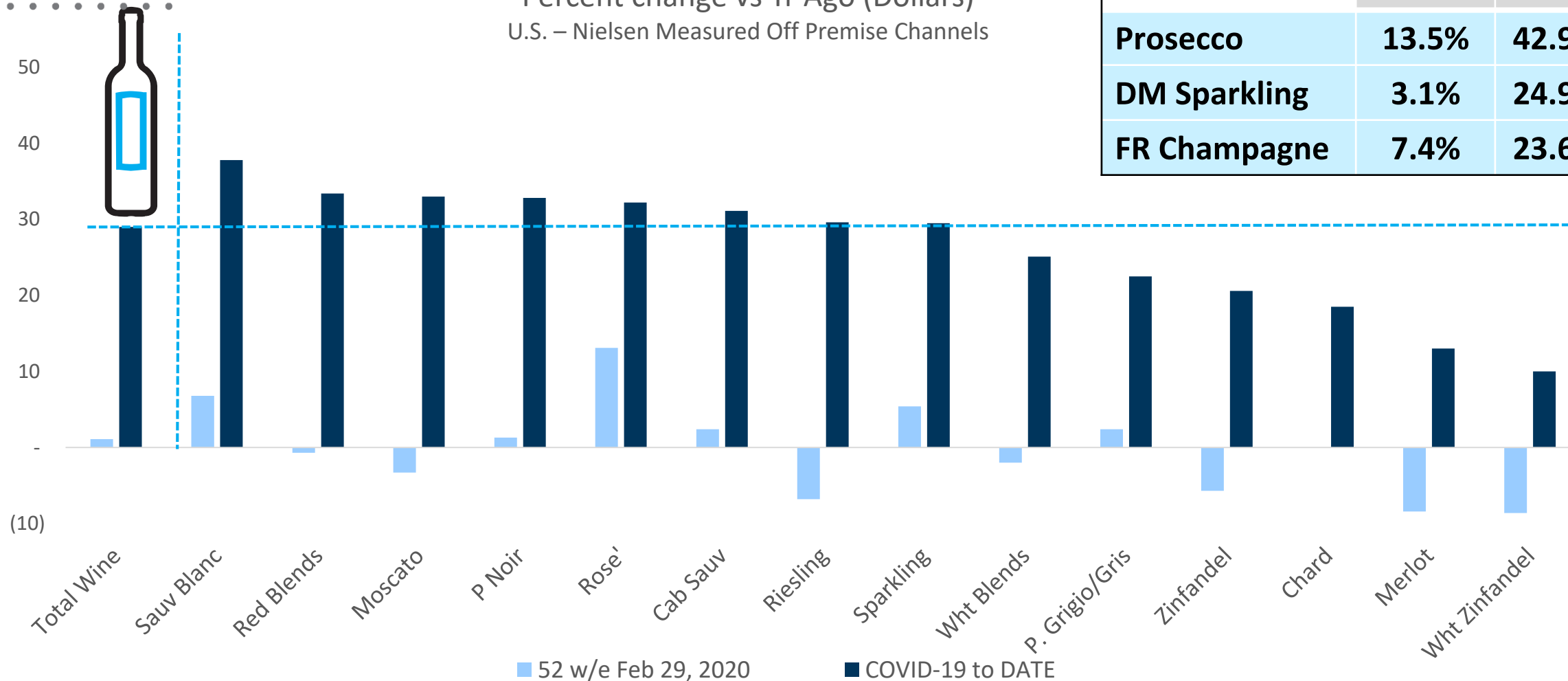
# VARIETAL GROWTH LED BY SAUV BLANC, RED BLENDS, MOSCATO, P. NOIR, ROSE'



And some Sparkling types

| COVID YTD (\$) | Pre   | COVID |
|----------------|-------|-------|
| Prosecco       | 13.5% | 42.9% |
| DM Sparkling   | 3.1%  | 24.9% |
| FR Champagne   | 7.4%  | 23.6% |

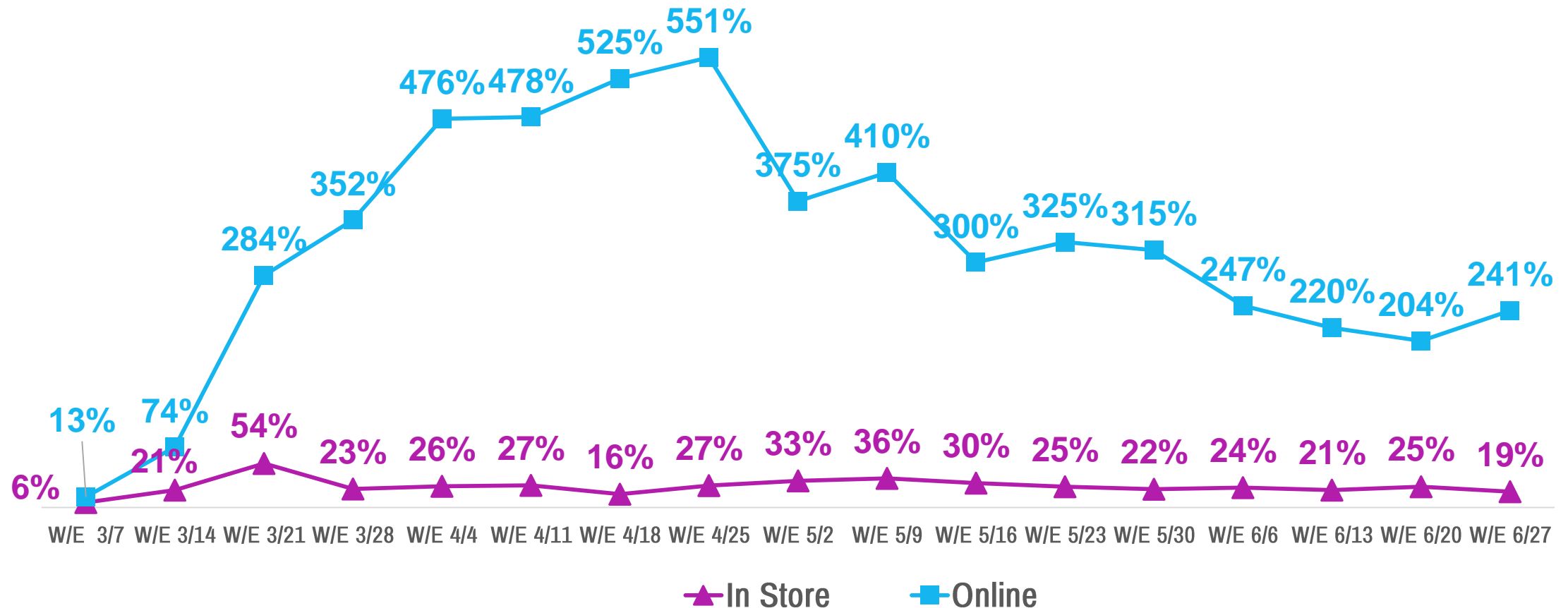
Percent change vs Yr Ago (Dollars)  
U.S. – Nielsen Measured Off Premise Channels



Source: Nielsen Measured Off Premise Channels; Total U.S. (Dollars) COVID-19 to Date; w/e March 7 through June 20, 2020

# BEVAL ONLINE SALES CONTINUE TO GROW (FASTER THAN ANY OTHER CPG DEPARTMENT)

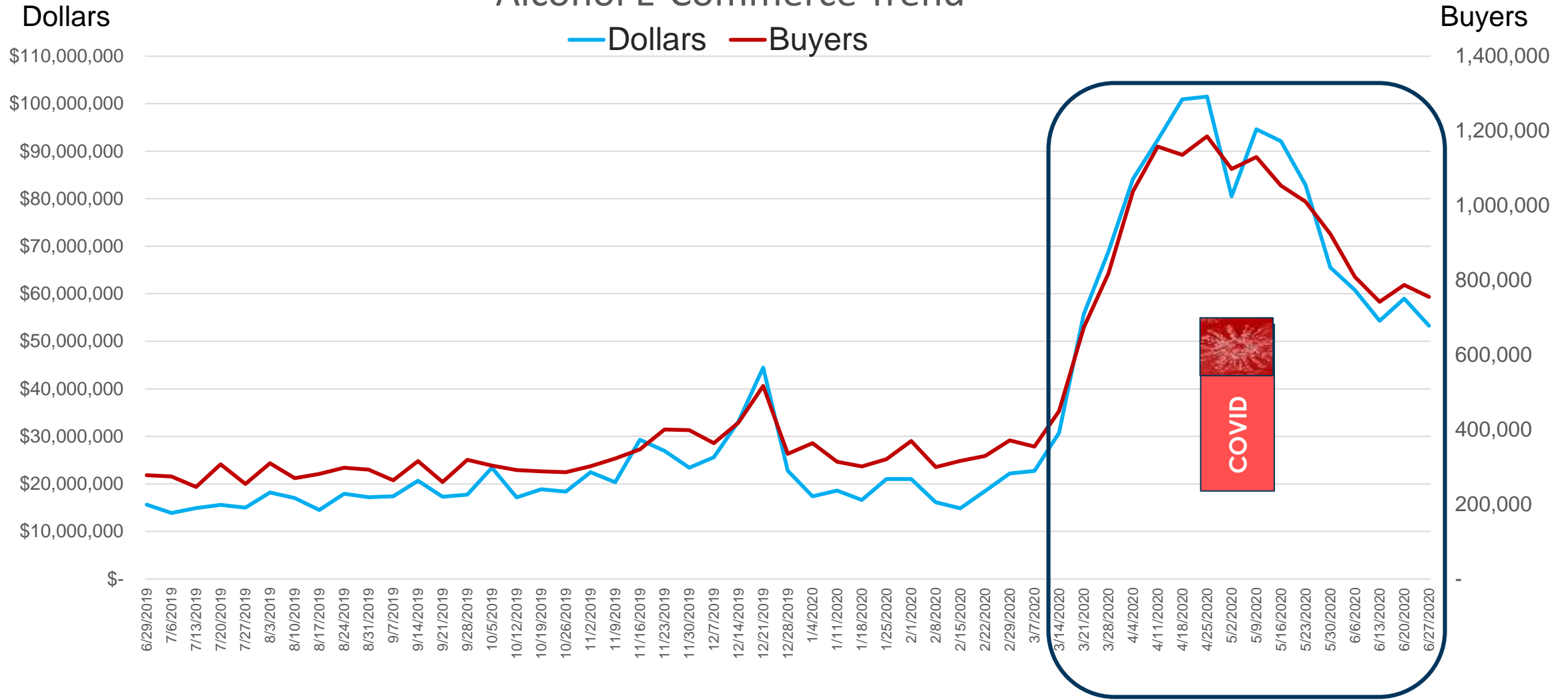
Total Alcohol  
Instore vs Online Growth Trend  
Dollar % Change vs. Prior Year



# ALCOHOL E-COMMERCE GAINS DRIVEN LARGELY BY NEW BUYERS



Alcohol E-Commerce Trend

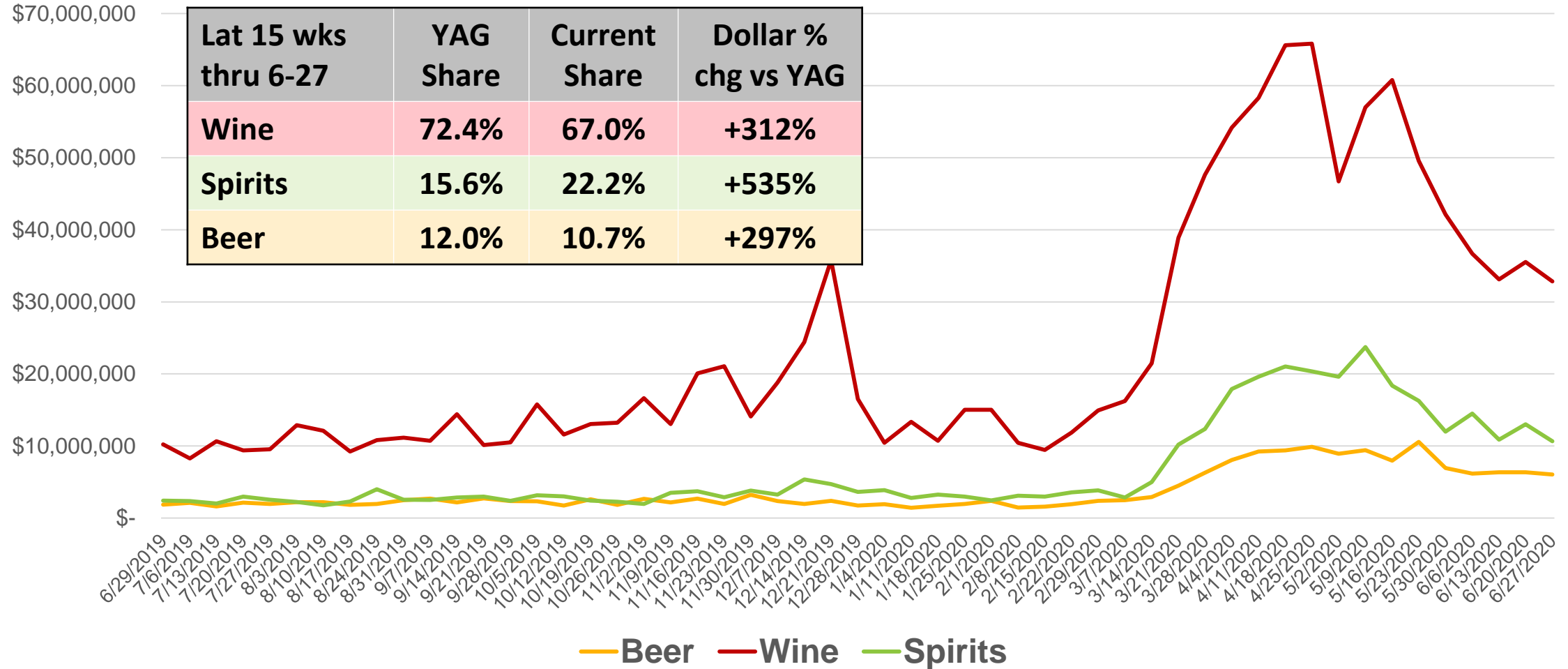


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Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence

# ALCOHOL E-COMMERCE DOMINATED BY WINE, BUT SPIRITS GROWING FASTEST

Beer, Wine, Spirits e-commerce weekly dollar trend



Source: Nielsen Ecommerce measurement powered by Rakuten Intelligence



**SOVOS** ShipCompliant



Andrew Adams  
Editor  
*Wine Analytics Report*  
July 9, 2020

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## Global Wine Market in Flux

June 2020

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|                   |                 |                    |                  |
|-------------------|-----------------|--------------------|------------------|
| US Wine Sales -4% | Off-Premise +7% | DTC Shipments +10% | Winery Jobs -14% |
| [12 month change] |                 |                    |                  |

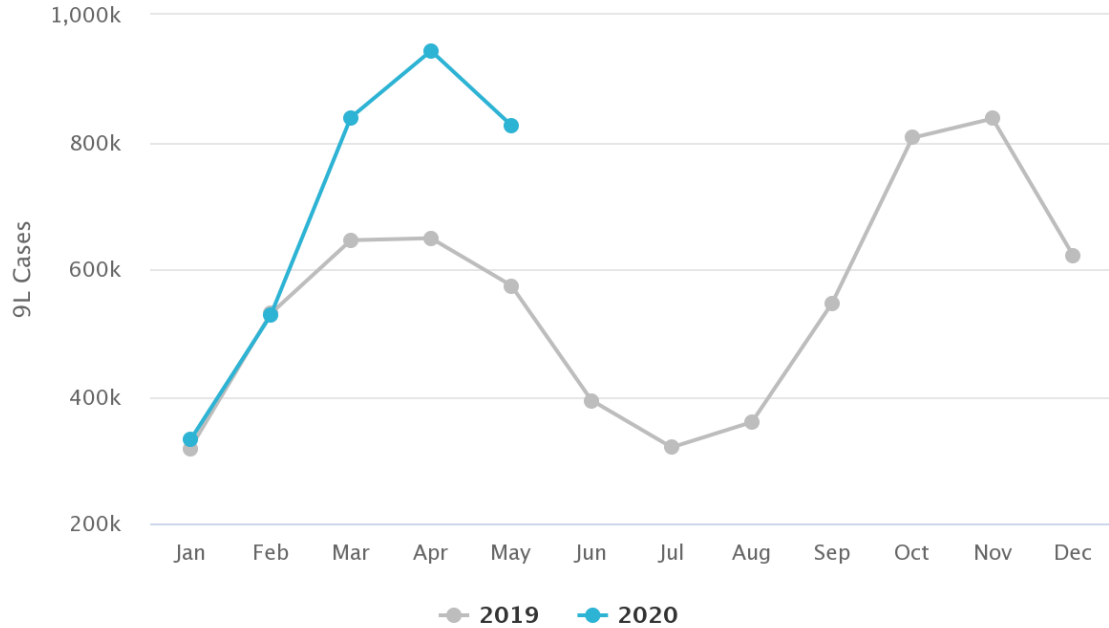
The ongoing pandemic disrupted the global wine market just as it did in the U.S. where off-premise and direct-to-consumer spending remain high but have yet to eclipse losses from the on-premise sector.

### COVID-19 Takes Toll on World's Wine Trade



### DtC Shipment Volume

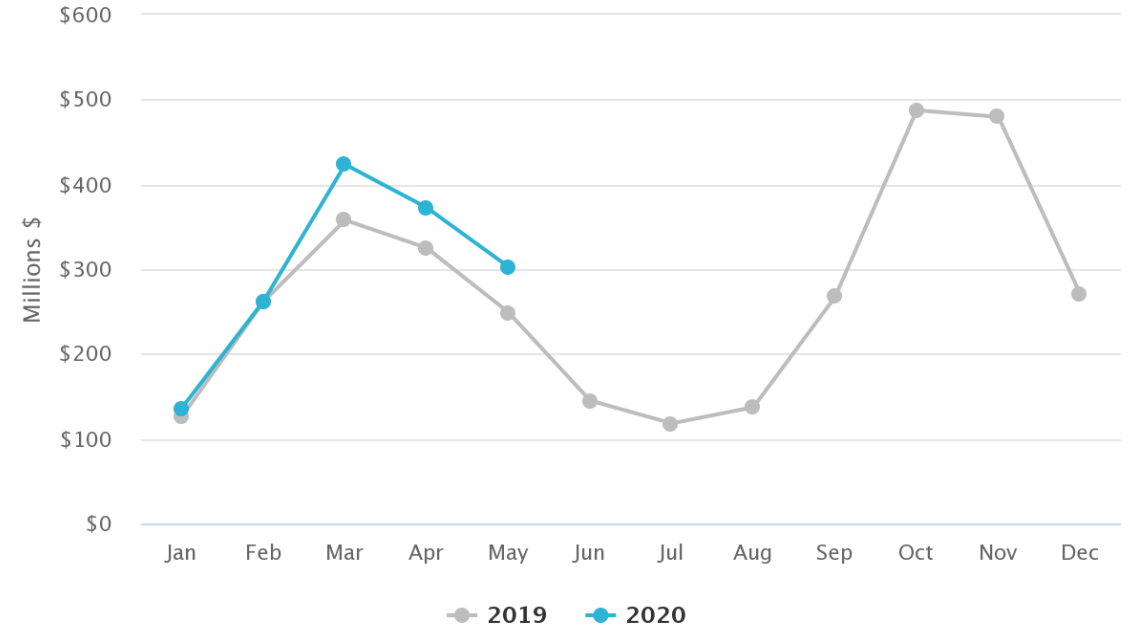
source: Wines Vines Analytics/Sovos ShipCompliant



Wines Vines Analytics

### DtC Shipment Value

source: Wines Vines Analytics/Sovos ShipCompliant



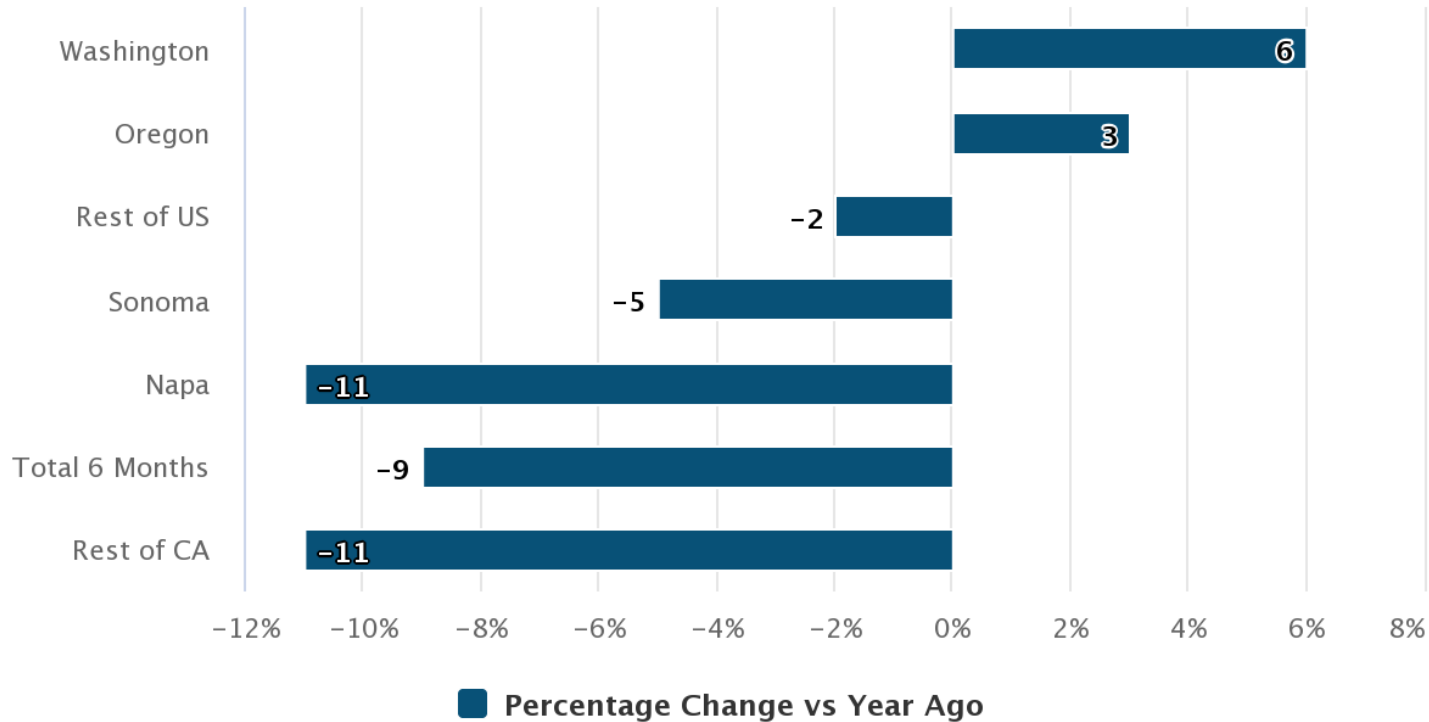
Wines Vines Analytics

# Latest DtC Shipment Data

Volume up 44% in May to 830K cases, Value up 22% to \$303M+

## Average Bottle Price % Change

Source: Wines Vines Analytics/Sovos ShipCompliant, six months ended May 2020 versus same period 2019



Wines Vines Analytics

## Average Bottle Prices

Six months ended May 2020

Washington: \$35.00

Oregon: \$39.59

Rest of US: \$21.09

Sonoma County: \$27.22

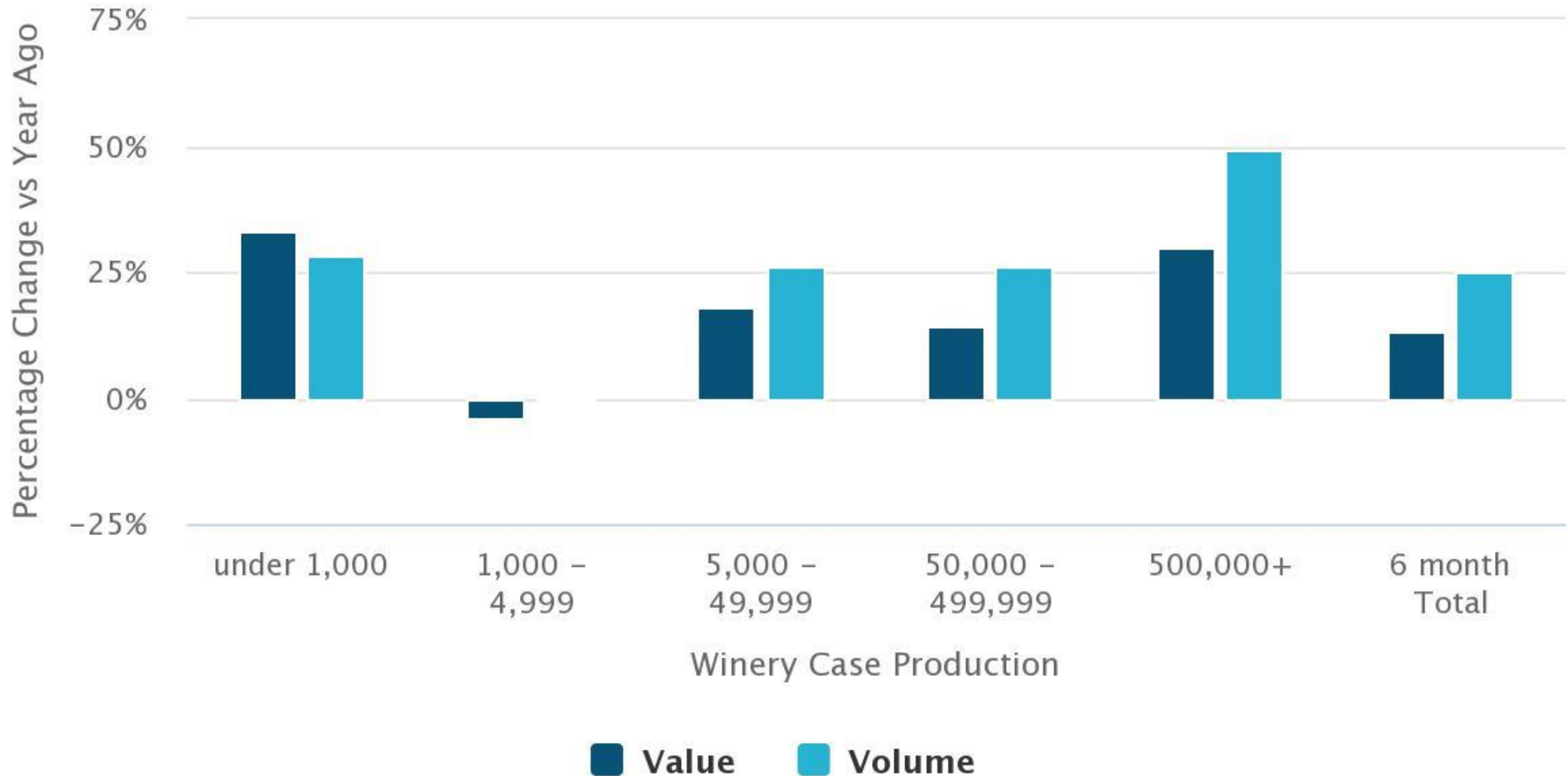
Napa County: \$60.72

Total: \$ 36.03

Rest of CA: \$26.12

# Shipments by Winery Size

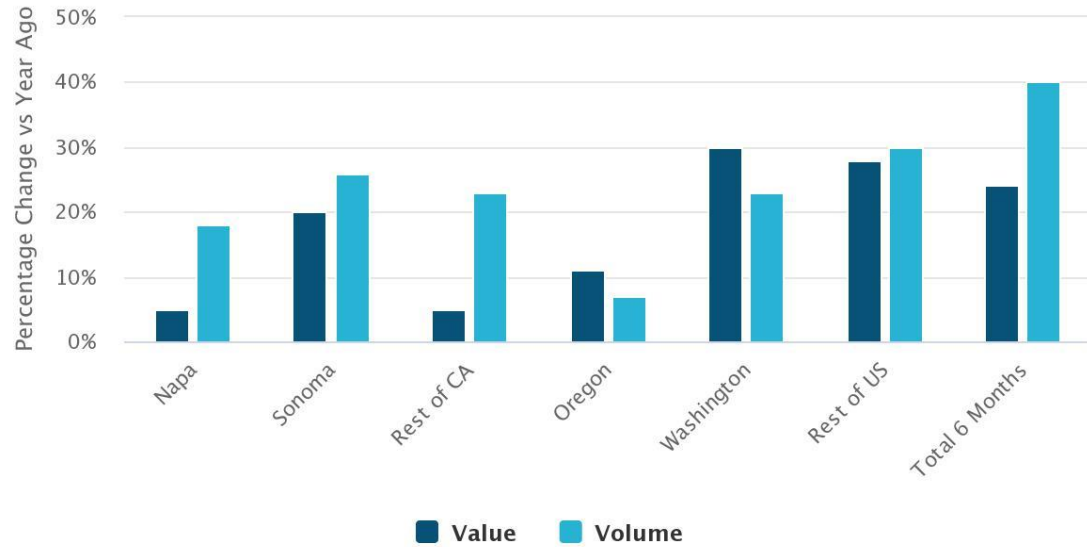
Source: Wines Vines Analytics/Sovos ShipCompliant, six months ended May 2020 versus same period 2019





## Shipments by Winery Location

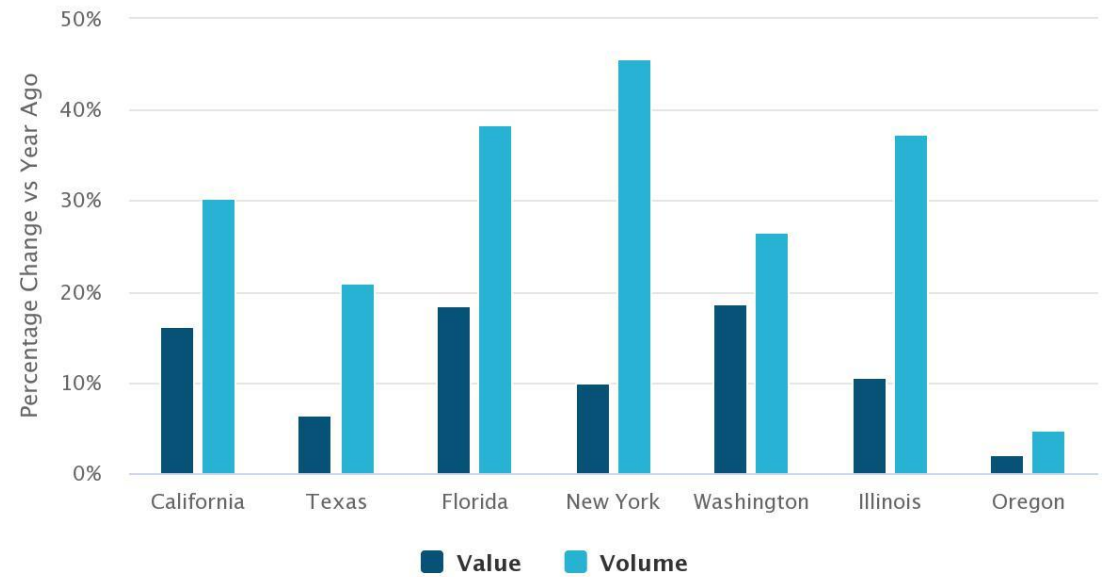
Source: Wines Vines Analytics/Sovos ShipCompliant, six months ended May 2020 versus same period 2019



Wines Vines Analytics

## Shipments by Destination

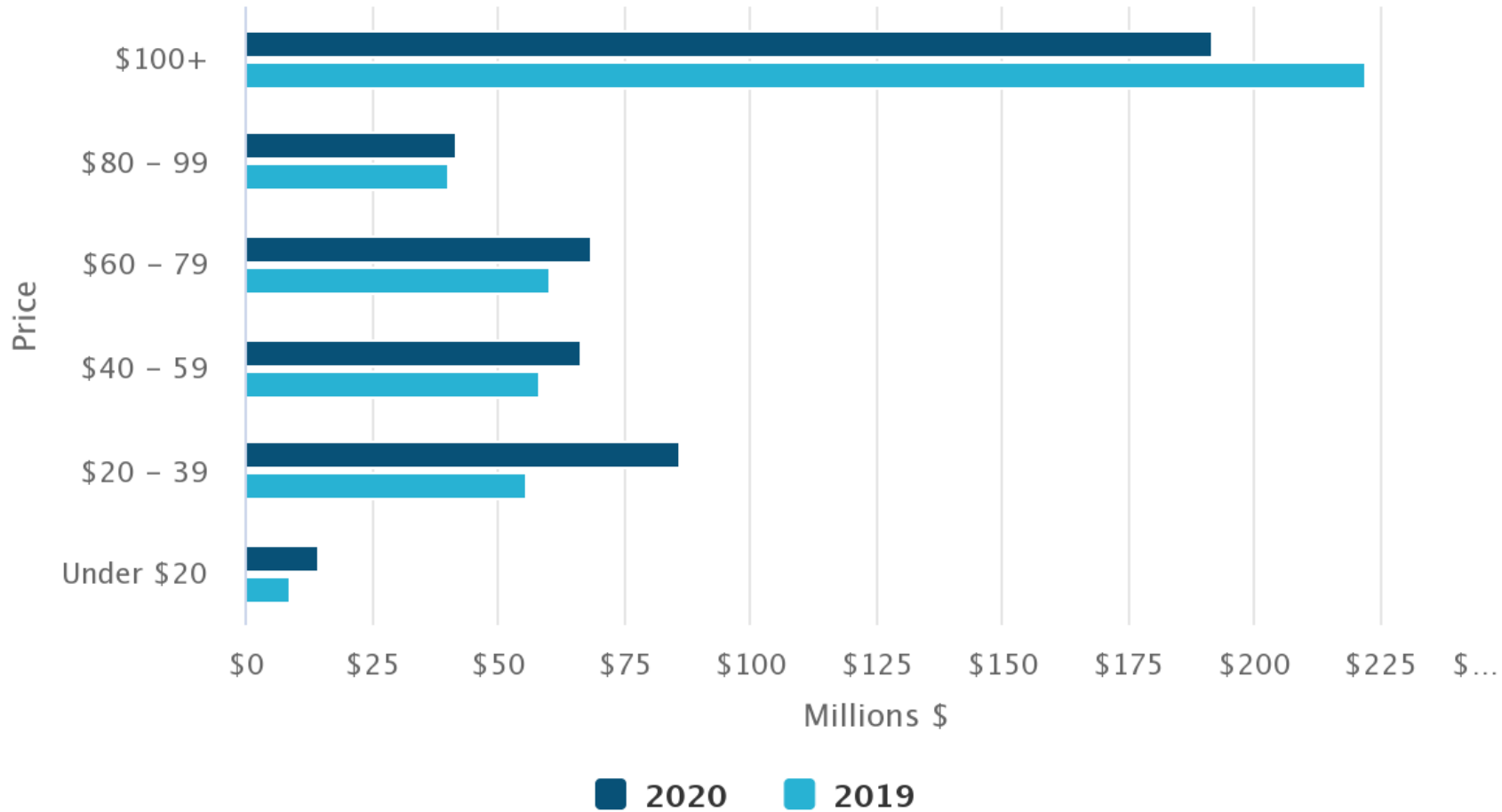
Source: Wines Vines Analytics, March, April May 2020 versus same period 2019



Wines Vines Analytics

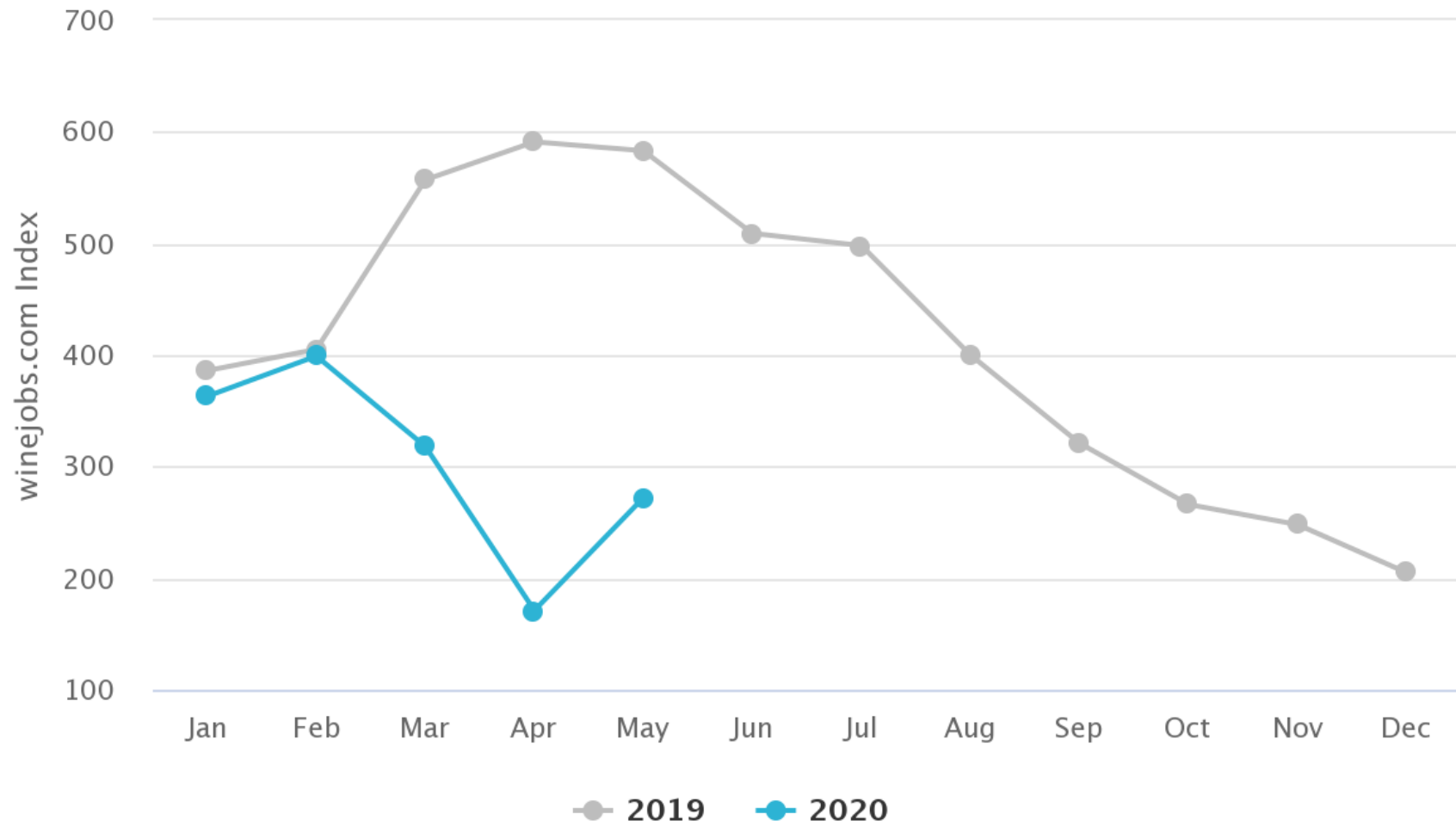
# Napa DtC Shipments 2019 Versus COVID-19

Source: Wines Vines Analytics/Sovos ShipCompliant, three months ended May 2019, 2020



# Winery Job Index

source: winejobs.com



# WINE ANALYTICS REPORT

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The wine industry's leading data source for market strategy and analytics

[wineanalyticsreport.com](http://wineanalyticsreport.com)

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503-791-1540



# DtC Shipments/Nielsen Reporting

# DtC WINE SHIPMENT REPORTING

An exclusive collaboration between   **SOVOS** ShipCompliant



## Reporting of DtC Shipments includes...

- online orders placed at Winery website
- winery wine club shipments to their members
- tasting room purchases shipped to consumers



## It does not include...

- Tasting room carry out
- Events carry out
- Online retailers
- Non winery aggregating wine clubs (e.g. WSJ, LA Times Clubs)

**Monthly Data**

**Delivered Monthly & Quarterly**

# DTC SHIPMENTS METHODOLOGY

- **Produced using a proprietary model**
  - Driven by millions of monthly anonymized detailed shipment transactions from more than 1,000 U.S. wineries to consumers, filtered through the Sovos ShipCompliant system
  - Then stratified (by size/cases produced), location, and average bottle price, and extrapolated to the Wines Vines Analytics database of all wineries (over 10,000 wineries; updated monthly).
  - Data is submitted to the proprietary model that applies weighting to assure that aggregated transactions evenly reflect winery size, location and average price.
  - Incorporates recognized statistical techniques to identify outliers and data anomalies.
  - Accurately projects this very large sample to all wineries in the United States.
- **A shipment is ...**
  - Defined as a specific wine shipped to a specific consumer. Multiple products to the same location are counted as multiple shipments.
  - Each shipment is edited for submission to governmental tax and reporting requirements. Additionally, elements such as varietal are validated by standardized tables.
- **Universe of wineries**
  - Has a physical location (may be another entity's winery)
  - Produces at least one brand (may have multiple brands and/or produce for others)
  - Has its own winemaker and management (may share winemaker with another entity)
  - Includes both bonded and virtual wineries meeting the winery definition

|                              |             |
|------------------------------|-------------|
| Number of shipments annually | 20 million+ |
| Wineries reporting           | 1,000+      |
| Winery universe database     | 10,000+     |

# DTC WINE SHIPMENTS & NIELSEN WINE REPORTING

**QUARTERLY** reporting tool – 1) Nielsen; 2) DtC Shipments; 3) Aggregation of the two

- Category
- Segments – price tiers, key varietals, key origins
- Destination markets (all) – where shipped to (DtC shipments), where sold (Nielsen)
- Cross segment/markets - e.g. Cab Sauv from Napa between \$30-\$50 shipped to/sold in Florida
- Winery Size (DtC only)
  - Large (500K+ cases)
  - Medium (50,000-499,999 cases)
  - Small (5,000-49,999 cases)
  - Very Small (1,000-4,999 cases)
  - Limited Production (<1,000 cases)

GRANULARITY

**MONTHLY** XLS report updates (thru at least year end) – Nielsen vs DtC Shipments

- Category
- Segments – price tier, key origins
- Destination markets - key where shipped to/where sold in markets

FREQUENCY



| DOLLARS, VOLUME, AVG PRICE PER 750ML |              |             |              |           |              |                                 |              |                 |              |           |              |
|--------------------------------------|--------------|-------------|--------------|-----------|--------------|---------------------------------|--------------|-----------------|--------------|-----------|--------------|
| DtC SHIPMENTS                        |              |             |              |           |              | NIELSEN                         |              |                 |              |           |              |
| 12 mos end Feb 2020                  | % chg vs YAG | Current Mos | % chg vs YAG | COVID YTD | % chg vs YAG | 52 w/e Feb 2020 (w/e 2-29-2020) | % chg vs YAG | Current 4 weeks | % chg vs YAG | COVID YTD | % chg vs YAG |
| <b>TOTAL WINE</b>                    |              |             |              |           |              |                                 |              |                 |              |           |              |
| <b>PRICE TIER</b>                    |              |             |              |           |              |                                 |              |                 |              |           |              |
| <\$8                                 |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$8 - \$10.99                        |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$11 - \$14.99                       |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$15 - \$19.99                       |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$20 - \$29.99                       |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$30-\$49.99                         |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$50-\$100                           |              |             |              |           |              |                                 |              |                 |              |           |              |
| \$100+                               |              |             |              |           |              |                                 |              |                 |              |           |              |
| <b>ORIGIN</b>                        |              |             |              |           |              |                                 |              |                 |              |           |              |
| CALIFORNIA                           |              |             |              |           |              |                                 |              |                 |              |           |              |
| Napa                                 |              |             |              |           |              |                                 |              |                 |              |           |              |
| Sonoma                               |              |             |              |           |              |                                 |              |                 |              |           |              |
| Central Coast                        |              |             |              |           |              |                                 |              |                 |              |           |              |
| Rem CA                               |              |             |              |           |              |                                 |              |                 |              |           |              |
| WASHINGTON                           |              |             |              |           |              |                                 |              |                 |              |           |              |
| OREGON                               |              |             |              |           |              |                                 |              |                 |              |           |              |
| REM U.S.                             |              |             |              |           |              |                                 |              |                 |              |           |              |
| IMPORTS                              |              |             |              |           |              |                                 |              |                 |              |           |              |
| <b>DESTINATION MKT</b>               |              |             |              |           |              |                                 |              |                 |              |           |              |
| CALIFORNIA                           |              |             |              |           |              |                                 |              |                 |              |           |              |
| TEXAS                                |              |             |              |           |              |                                 |              |                 |              |           |              |
| FLORIDA                              |              |             |              |           |              |                                 |              |                 |              |           |              |
| NEW YORK                             |              |             |              |           |              |                                 |              |                 |              |           |              |
| WASHINGTON                           |              |             |              |           |              |                                 |              |                 |              |           |              |
| ILLINOIS                             |              |             |              |           |              |                                 |              |                 |              |           |              |
| OREGON                               |              |             |              |           |              |                                 |              |                 |              |           |              |
| <b>WINERY SIZE</b>                   |              |             |              |           |              |                                 |              |                 |              |           |              |
| LARGE                                |              |             |              |           |              |                                 |              |                 |              |           |              |
| MEDIUM                               |              |             |              |           |              |                                 |              |                 |              |           |              |
| SMALL                                |              |             |              |           |              |                                 |              |                 |              |           |              |
| VERY SMALL                           |              |             |              |           |              |                                 |              |                 |              |           |              |
| LTD PRODUCTION                       |              |             |              |           |              |                                 |              |                 |              |           |              |

# Monthly Report

- Dollars
- Volume
- Avg Price/750 ml

PRICE TIERS

ORIGIN

KEY MARKETS  
WHERE SHIPPED TO/WHERE SOLD IN

WINERY SIZE

# Quarterly Report 1: Nielsen + DtC Shipments



## A) Nielsen Off Premise measured channel; B) DtC Shipments; C) Aggregate of the two

- Quarterly timeframes
- 5 years of history
- Dollars, Volume (9L cases); Avg price/ 750 ML
- Ability to look at, Wine by...
  - Type/varietal
  - Price Tier
  - Key Origin
  - Type/varietal by origin
  - Origin by price tier
- Total Wine -- all individual states

Select a Market and Period below.  
Click the report buttons to display each report.  
Market and Period selections are used on all reports except the State & Trend Reports.

**Wine Sales - Nielsen Channels & DtC Shipment Data**

nielsen  
WINES VINES ANALYTICS

SOVOS ShipCompliant

Markets: California, Florida, Illinois, Oregon, Texas, Total US, Washington

Periods: 2019 Q2, 2019 Q1, 2018 Q4, 2018 Q3, 2018 Q2, 2018 Q1, 2017 Q4, 2017 Q3, 2017 Q2, 2017 Q1, 2016 Q4, 2016 Q3, 2016 Q2, 2016 Q1, 2015 Q4, 2015 Q3, 2015 Q2, (blank)

Type, Type by Origin, Type by Price, Origin, Origin by Price, Price, States, Trend, Informational Sheet

# Quarterly Report 2: DtC only Shipments



- Quarterly timeframes
- 5 years of history
- Dollars, Volume (9L cases); Avg price/750 ML
- Ability to look at Winery...
  - Winery by size
  - Winery by size - by origin
  - Winery by size – by (expanded) price tiers
  - Winery by size - by price tier and origin
- Monthly DtC Shipment trend
  - In total
  - By varietal

Select a Period below  
Click the report buttons to display each report

**DtC Shipments Data**

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Periods

|                |
|----------------|
| Annual 2020 Q1 |
| Annual 2019 Q1 |
| Annual 2018 Q1 |
| Annual 2017 Q1 |
| Annual 2016 Q1 |
| 2020 Q1        |
| 2019 Q4        |
| 2019 Q3        |
| 2019 Q2        |
| 2019 Q1        |
| 2018 Q4        |
| 2018 Q3        |
| 2018 Q2        |
| 2018 Q1        |
| 2017 Q4        |
| 2017 Q3        |
| 2017 Q2        |
| 2017 Q1        |
| 2016 Q4        |
| 2016 Q3        |
| 2016 Q2        |
| 2016 Q1        |

Winery

Winery by Origin

Winery by Price

Origin & Price by Winery Size

Wine Type Monthly Trend

Informational Sheet

# INTERESTED? ANYTHING ELSE?

- Please contact Danny Brager for any follow-up [danny.brager@nielsen.com](mailto:danny.brager@nielsen.com) (949-632-8497)
  - Questions
  - Pricing
  - Demos
  - What else you'd like to have





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