

Digital Wine Sales are Booming, And Some Wonder if They'll Last

BY STACY BRISCOE



Winc

The novel coronavirus pandemic and shelter-in-place orders have forced the wine industry to shift focus toward digital sales and marketing. The latest Nielsen data shows alcohol e-commerce has more than doubled compared to this time one year ago. Wine has enjoyed the largest success, making up nearly 70% of total online retail sales tracked in the report.

It's no surprise that wine clubs previously dedicated to the online sphere have seen a substantial uptick in business.

Pre-coronavirus, NakedWines.com was already one of the leading direct-to-consumer (DTC) wine businesses in the U.S. At sales of \$3.2 billion, DTC shipping represented 10.8% of all retail wine sales for 2019, according to the 2019 Direct To Consumer Wine Shipping Report published by Sovos ShipCompliant and Wines Vines Analytics. As expected, consumers' shift to online shopping has increased those numbers. To keep up, Naked Wines says it has hired 80 new positions, including customer service, data technology and marketing roles, in April 2020.

"The plans we have in place use our position of strength and size to create the best customer experience available," says Max Miller, Naked Wines' newly appointed president. "We need to continue to invest in that and make it better."

Naked Wines works directly with independent winemakers, using funding provided by subscribers to assist with wine production, sales and marketing. The growth and success of the retailer means more opportunities for partnering winemakers.

The company also recently announced it will allocate \$5 million to welcome new winemakers into its platform, specifically those affected by coronavirus. Those impacted by the crisis are encouraged apply for funds on Naked Wines' [site](#).

"It was very apparent very quickly that the Covid pandemic was going to be challenging," says Naked Wines' CEO Nick Devlin. "We're in a fortunate position to be trading well and feel a responsibility. We can use what we have—our [angel investors] and our assets—to help good winemakers who are struggling."



Offerings from 90+ Cellars / Photo by Oveth Martinez

Winemaker Matt Parish, whose resume includes stints at major brands such as Beringer, Stags' Leap Winery and Etude, said the e-commerce retailer not only helped him build his independent brand, but continuously pushes him in his craft.

“Angels provide reviews and ratings which are used to evaluate the success or otherwise of that particular wine,” says Parish. “As a winemaker, I respond to comments daily, as their relationship and support are very important.”

Parish believes those relationships will help him through the current marketplace shift.

“DTC and online sales will be significant channels in the future,” he says. “We saw growth in both over the last 10 years, but Covid accelerated this phenomenon. I see a bright future for my brand and others like it sold online.”

“We’ve seen a lot of new customer growth—that’s the big story,” says Brian Smith, cofounder and COO of Winc, another DTC wine business.

According to company representatives, the online wine club, which sells proprietary wine brands, has seen a 798% increase in new member sign-ups between March 15 and April 4, when compared to the prior three-week period. In March, Winc had 42,266 new members and an 80% increase in revenue from February. When April numbers come in, Winc expects to have added 57,500 new members and about 55% month-over-month sequential growth.

However, the company still faces challenges. Winc's brands are built on globally sourced grapes and wine.

"It's so much better to go and visit with partners in person," says Smith. "It's less efficient to be sending tank samples all over the world, but that's what we're faced with at the moment."

Fortunately, Winc has not had to renegotiate or cancel any contracts, instead moving up certain orders to meet consumer demand. The retailer has also expanded its customer relations and warehousing departments.

"We've been in a very active mode," says Smith. "Challenges are doubling in the warehouse and in membership service. That's what we had to orient immediately to make sure we could continue to deliver and operate efficiently."

90+ Cellars' business model is also built on partnerships with wineries domestic and abroad. "Working closely with these partners and building trust over time, we can continue supporting each other through ups and downs in the market, which has proven especially important during this time," says Kevin Mehra, the company's founder/president.

Unlike Naked Wines or Winc, 90+ Cellars sells their proprietary wines to independent retailers as well as big-box grocers. E-commerce sales are run through third-party online channels such as Drizly and Instacart.

"The new normal means more consumers are comfortable purchasing alcohol online," says Terry Lozoff, 90+ Cellars' vice president of marketing. "Instacart and Drizly are not only convenient but are directly connected to our retail partners."



Photo by NakedWine

European associates of 90+ Cellars have experienced a heavy impact. “Our Italian partners, who produce some of our most popular wines, like Prosecco and Pinot Grigio, have been hit hard by Covid,” says Mehra.

While coronavirus may have added more challenges, including shipping and bottling delays, the company has been able to keep their supply chain moving.

“Coincidentally, we were already coordinating with [Italian suppliers], as well as our French producers, on recent tariff issues,” says Lozoff.

Beverage alcohol marketplace Drizly recently reported explosive year-over-year growth in new customers at the end of March. Sales are 392% “over baseline,” or what the company would have expected for this time of year, for the week of April 26. Wine makes up 39% of those sales.

Will this trend continue? And how confident are these online platforms that consumer loyalty will extend beyond the days of sheltering in place?

“The hope is to drive awareness to consumers who were previously unaware about the ability to purchase great wine online and, with that, provide an experience of community and content that’s unmatched in stores,” says Naked Wines’ Miller. “Once they try it, it is very likely they will become long-term customers.”

Comments



