

DTC Wine Shipping at All-Time High, Average Bottle Price at Historic Low

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In 2020, the U.S. wine industry saw the largest year-over-year increase in direct-to-consumer (DTC) shipping in the past decade. As the year and pandemic-related quarantines progressed, there were 8.39 million cases of wine sent to consumers, a 27% increase over 2019. Comparatively, over the last nine years, winery DTC experienced an average of 10.5% annual increase in shipment volume.

“We knew we were going to set records for volume shipment, but the big surprise was on the value side—we didn’t anticipate such a significant drop in price per bottle,” says Larry Cormier, general manager, Sovos Shipcompliant.

The software company partnered with Wines Vines Analytics to release its annual DTC report, with shipping data supplied from more than 1,000 U.S. wineries. While much of the data is in keeping with the company's mid-year status update, the report also reveals that the average price per bottle decreased by 9.5% in 2020, from about \$40 per bottle to \$36.83 per bottle.

This is an historic price drop, according to Cormier, who notes that since the last major decrease of 1.7% in 2013, premiumization of luxury (\$20–\$24.99) and superluxury-priced wines (\$25 and above) was inching average bottle prices up 2–3% each year.

“The one-two punch of the pandemic and fires made it very difficult to do any kind of business as usual.”—Larry Cormier, Sovos Shipcompliant

The drastic decrease was brought on by a few factors, says Cormier. Firstly, the shift to e-commerce means new buyers entered the beverage alcohol sector, like millennials with less expendable income looking for affordable, entry-level wines. Secondly, there was much more aggressive discounting by producers in an attempt to meet those lower price demands.

This trend extended to California's Napa County, where superluxury wine prices are the norm. The region experienced an 8% decrease in average bottle price, from \$68.50 to \$63.44.

“The one-two punch of the pandemic and fires made it very difficult to do any kind of business as usual,” says Cormier. And, with many vintners not harvesting fruit due to fire and smoke damage, Cormier predicts those effects may feed into future production and sales as well.

Consumer interest in value wines means that varieties such as Sauvignon Blanc, Pinot Gris and Riesling as well as rosé saw significant increases in sales volume, while wines such as Cabernet Sauvignon, Napa's most planted variety, saw smaller volume increases.

The report notes an unanticipated success for wineries in “The Rest of the U.S.” category, or those located beyond the West Coast. The category reached an historic best in the DTC shipping channel in 2020, with 34.7% increase in volume of shipments and a 30.6% increase in the value of those shipments.

“On average, their price per bottle is around \$20, so they benefit from the consumer migration toward value wines,” says Cormier. The question the industry must now ask is whether these trends will carry into 2021. While Cormier expects DTC will continue to

see double-digit growth, he believes numbers won't be nearly as high as in 2020.

The shift to e-commerce DTC shipping poses both challenges and opportunities for producers. As millennials gain purchasing power, there will be increased competition for their attention and dollars.

“Producers will have to be savvier about marketing, e-commerce, and data analytics, which will be a big change for a lot of them,” says Cormier. “But I think DTC is easier for wine brands to carve out a position in the market...people are looking for authenticity, experience, a story, which wine offers over other categories. Wineries need to take advantage, leverage those qualities in an online presence.

“In that way, it's much easier than standing out on a grocery store shelf with a really cool label.”



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