



2021

DIRECT TO CONSUMER

Wine Shipping Report

2020 YEAR IN REVIEW

SOVOS
ShipCompliant



WINES VINES
ANALYTICS

DIRECT-TO-CONSUMER WINE SHIPPING IN 2020

Global pandemic drives massive changes as **market swells to \$3.7B**

Largest ever YoY volume increase



+27%



Largest decrease in a decade in average bottle price

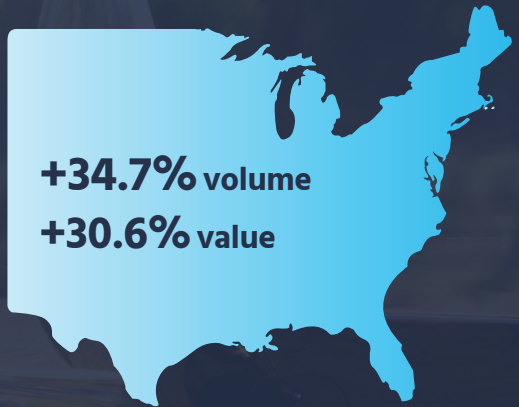


-9.5% drop to **\$36.83**



Non-West Coast wineries overperform

+34.7% volume
+30.6% value

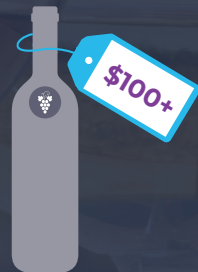


Shipments of wines **UNDER \$30 SOARED**

+41.6%



\$100+ wines fell **-2.0%**



Largest wineries

+54.7%



Smallest wineries

+64.9%

Largest and smallest wineries notch greatest volume gains

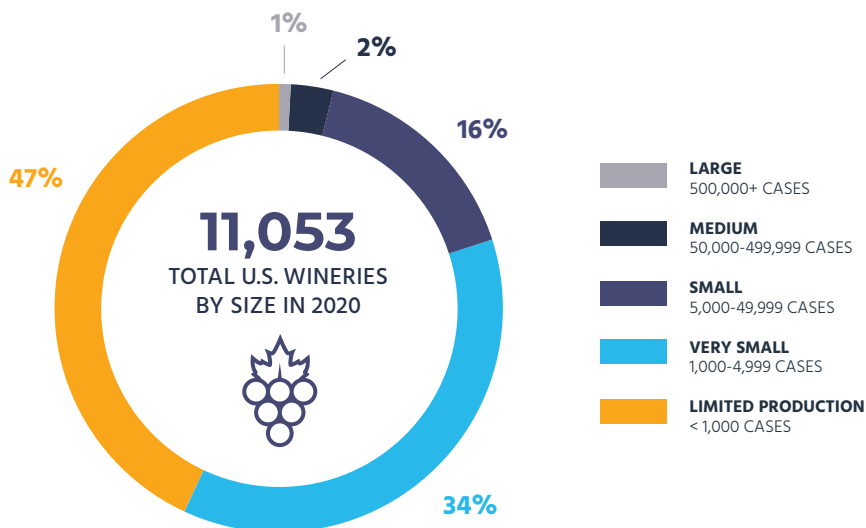
Contents

3	Creation of the DtC Report
4	Overview
7	Highlights
8	Month-by-Month Analysis
10	Analysis by Winery Region
19	Analysis by Winery Size (Production)
22	Analysis by Varietal
24	Analysis By Destination of Shipments
27	Analysis By Price
30	Conclusions and Forecasts
32	Methodology
32	Acknowledgments

Creation of the DtC Report

This report is an annual collaboration between Sovos ShipCompliant and Wines Vines Analytics. It analyzes anonymized, detailed direct-to-consumer (DtC) shipment data from more than 1,100 U.S. wineries to consumers each month, totaling more than 40 million shipments over the course of the year.

Each shipment is edited for submission for governmental tax and reporting requirements. Additionally, elements such as varietal are validated by standardized tables. The data is submitted to a proprietary model that applies weighting to assure that aggregated transactions evenly reflect winery size, location and average bottle price. The model is built on a database of more than 11,000 wineries updated monthly by Wines Vines Analytics. This database is a near census of U.S. wineries (>99%). The model incorporates recognized statistical techniques to identify outliers and data anomalies. (For more details on methodology, see the final page of this report.)



Overview

For the past decade, this report has chronicled the steady, organic growth of the winery direct-to-consumer DtC shipping channel. This report is different.

Like so many other commercial sectors in 2020, the winery DtC shipping channel witnessed extreme disruption due to the unprecedented state, federal and individual responses required to limit the spread of COVID-19. This report outlines how both wine consumers and wineries responded to widespread stay-at-home orders, forced closure of non-essential hospitality facilities and a national economy pushed into a recession. Its content describes a wine shipping channel largely disconnected from the growth and development patterns established over the last decade.

In 2020, wineries shipped 8.39 million cases of wine to consumers, representing a remarkable 27% increase over 2019 as individuals were no longer able to connect in person at tasting rooms around the country for much of the year. To put this annual increase in winery shipments in context, consider that for the past nine years the winery DtC channel saw a 10.5% average annual increase in volume of shipments.

Yet, while wineries significantly increased the volume of DtC shipments in 2020, the value of those shipments increased by only 14.9% to \$3.7 billion. The disconnect between the increased volume and value of DtC shipments was due to consumers retreating to more modestly priced wines. The average price per bottle of wine shipped in 2020 decreased by 9.5% to \$36.83 per bottle. Since 2011, the greatest annual decrease in average price per bottle shipped noted in this report was a 1.7% decrease in 2013. While the increase in the amount of wine shipped in 2020 tells a complex story of changing purchasing habits, the resulting 9.5% decrease in average price per bottle shipped reflects consumer reaction to an economy experiencing layoffs, furloughs, a tightening of budgets and a new crop of consumer participants in the DtC channel that largely sought out lower-priced wines.

As we will outline in subsequent sections of this report, consumer caution hit various sectors of the wine industry differently, with wineries in some regions seeing greater reductions in the average price of wine shipped while certain varietals benefited significantly from consumers moving to less expensive wines.

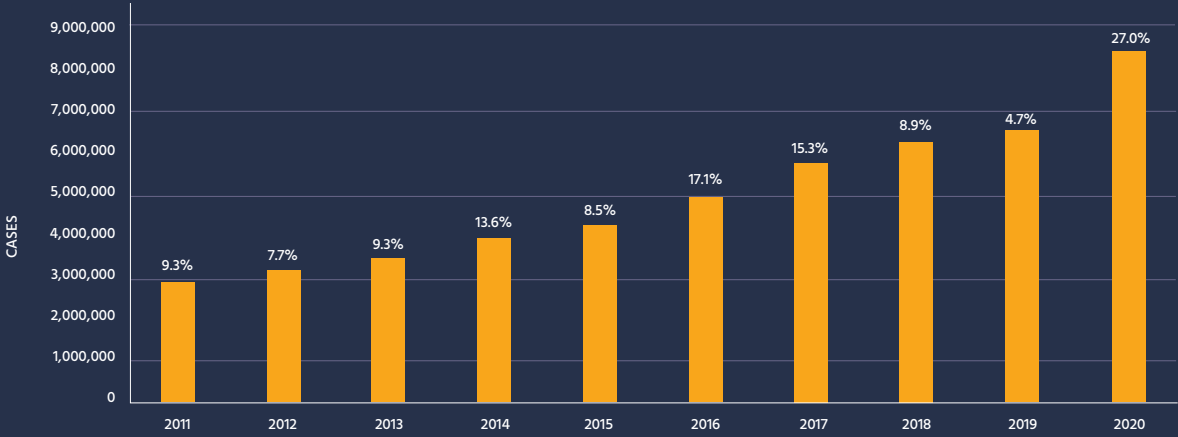
It is also notable that Jon Moramarco, managing partner at bw166, estimates that in 2020, DtC shipments represented 10.1% of overall off-premise sales of domestically made wine, down from 10.8% in 2019. This downward trend in market share for DtC shipments, despite the large increase in the volume of shipments in 2020, can be accounted for by off-premise retailers also seeing an increase in sales due to restaurant closures and retail stores and groceries being deemed essential businesses. Additionally, many European wines saw lower imports in 2020 due to the imposition of tariffs, which in turn forced some retailers to increase their sales of domestically made wines.

Overview (Cont'd)

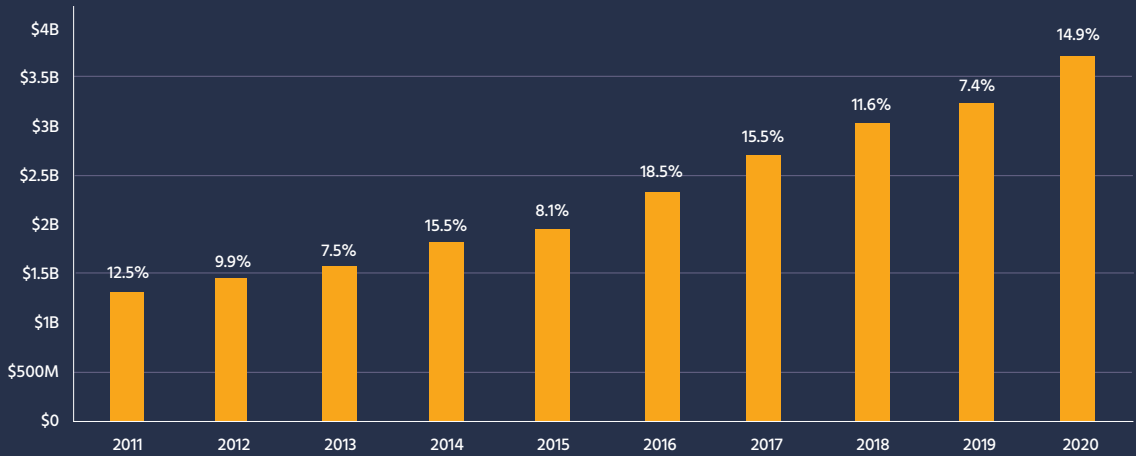
Finally, while a 27% increase in the volume of wine shipped to consumers looks like a positive development for the wine industry, it doesn't tell the whole story. The increase in the volume of wine shipped from wineries to consumers in 2020 both masks and is a reaction to a significant overall decrease in visitation to wineries, tasting rooms and restaurants. While many industry-watchers believe the 2020 focus on online sales and shipping will translate into greater DtC sales down the road – due to increased winery emphasis on ecommerce and enhanced consumer comfort with buying wine online – the 2020 increase in winery DtC shipments did not make up for the decline in sales seen at wineries, tasting rooms and restaurants. We have yet to witness the full impact of this decline in winery visitation and the sales that occur there.



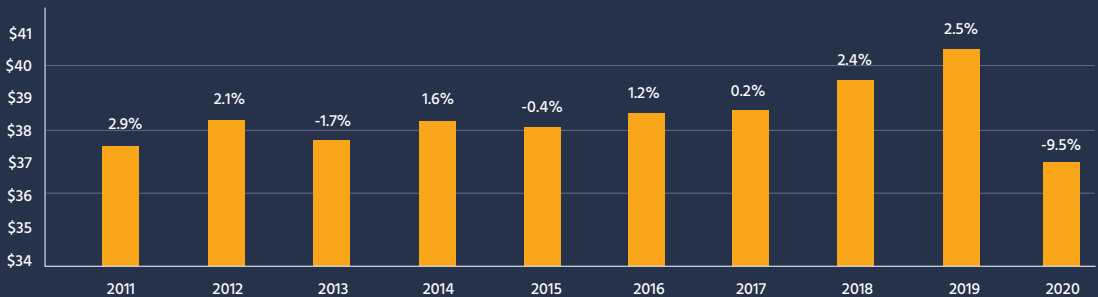
VOLUME OF SHIPMENTS WITH ANNUAL VOLUME GROWTH 2011 - 2020



VALUE OF SHIPMENTS WITH ANNUAL VALUE GROWTH 2011 - 2020



AVERAGE PRICE PER BOTTLE SHIPPED 2011 - 2020



Highlights

Largest year-over-year increase in DtC shipment volume ever

The 27% year-over-year increase in the volume of winery shipments is unprecedented in the 11 years this report has been published. Prior to 2020, the largest volume increase seen was the 17.1% jump in 2016. The sizable increase in volume of shipments was largely driven by quarantined Americans who migrated to the online channel as well as wineries responding to shutdown orders with intensified online marketing.

Largest decrease in average price per bottle shipped in a decade

The 9.5% decrease in 2020's average price per bottle shipped from wineries to consumers is the largest seen in the past 11 years. Prior to 2020, the greatest decrease in average price per bottle shipped was 1.7% in 2013. New consumers coming into the DtC market in response to business lockdowns and quarantines sought out less expensive wines, lowering the average price per bottle shipped.

Largest and smallest production wineries saw greatest increases in volume

The largest and smallest wine production categories saw the greatest increases in volume of shipments in 2020, due in large part to cutting prices. Wineries producing 500,000 or more cases annually saw a 54.7% increase in their volume of shipments on a 17.3% decrease in average price per bottle shipped. Meanwhile, wineries producing 1,000 cases or less annually increased their volume of shipments by 64.9% on a decrease in average price per bottle shipped of 16%.

Shipments of wines priced under \$30 per bottle soared, while \$100+ wines regressed

In a year where more consumers sought value and first-time DtC buyers gravitated to lower-priced wines, varietals that provided lower prices saw the greatest increases in volume. Meanwhile the highest-priced wines underperformed. This led to wines like Sauvignon Blanc, Pinot Gris, Riesling and Rosé significantly increasing in volume, while wines such as Cabernet Sauvignon saw smaller volume increases.

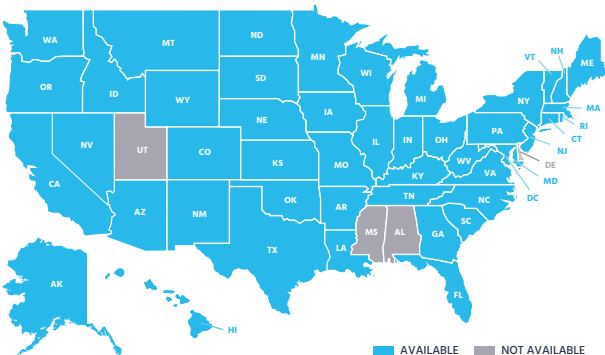
Sonoma County remains largest source of DtC winery shipments

With a 37.6% increase in the volume of DtC shipments, Sonoma extended its lead over Napa County as the largest source of winery DtC shipments. Meanwhile, Napa County wineries, with a much higher average price per bottle shipped, saw a 15.9% increase in shipment volumes in 2020.

Dramatic DtC growth a national trend with shipments from non-West Coast wineries up significantly

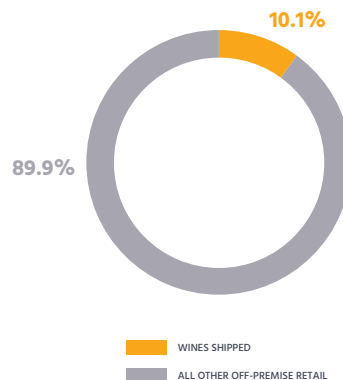
Wineries located outside of the West Coast region saw large DtC increases in 2020 due in part to a lower average price per bottle shipped of \$21.07. Wineries in New York, Virginia, Texas, Idaho, Michigan and other non-West Coast states outperformed the overall DtC shipping channel with a 34.7% increase in volume of shipments and a 30.6% increase in the value of those shipments.

STATES OPEN FOR DTC SHIPPING



*New permissions for shipping to Kentucky became effective in December 2020.

SHARE OF OFF-PREMISE SALES BY CHANNEL OF DOMESTICALLY MADE WINES





Month-by-Month Analysis

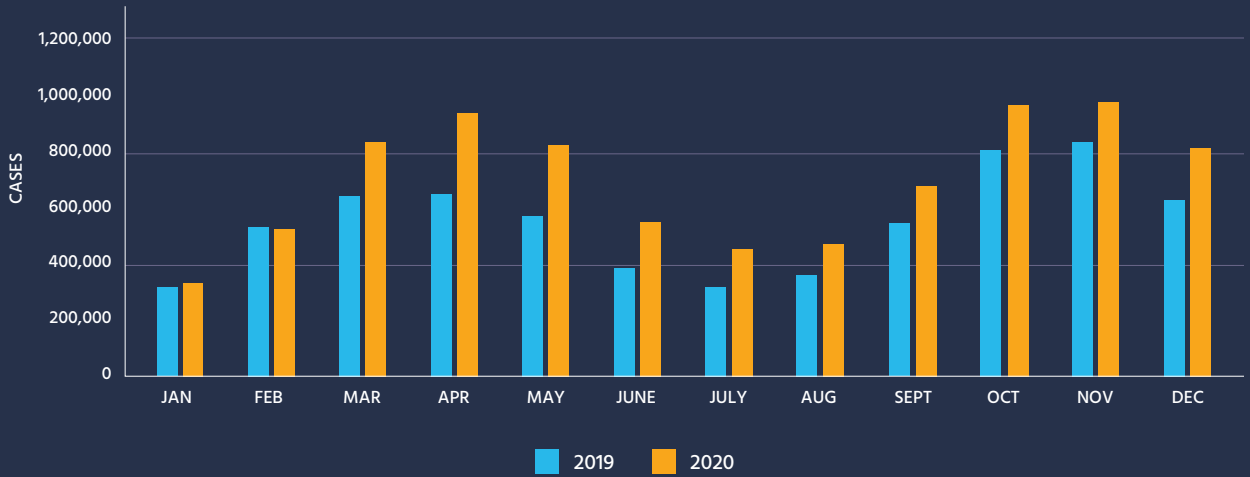
There is nothing ambiguous about the story told by 2020 winery shipments on a month-by-month basis. January and February were in no way out of the ordinary from past years, with a 4.1% year-over-year uptick in the volume of shipments in January, followed by a flat February, with both months showing gains in the average price of wines shipped.

These two months represented 2020's final nod to normalcy. March data shows the beginning of the impact of the pandemic on winery shipments. In March, many states began to initiate stay-at-home orders and shutdowns of non-essential businesses to address the spread of the novel coronavirus. By April and May, nearly every state had implemented stay-at-home orders along with restrictions on business openings and indoor gatherings. In response, consumers turned to online wine purchasing while wineries in every state pivoted toward bolstering online marketing and shipping capabilities to compensate for the restrictions on in-person winery visits. The results of the shift to online sales are seen most vividly when looking at March through September shipments.

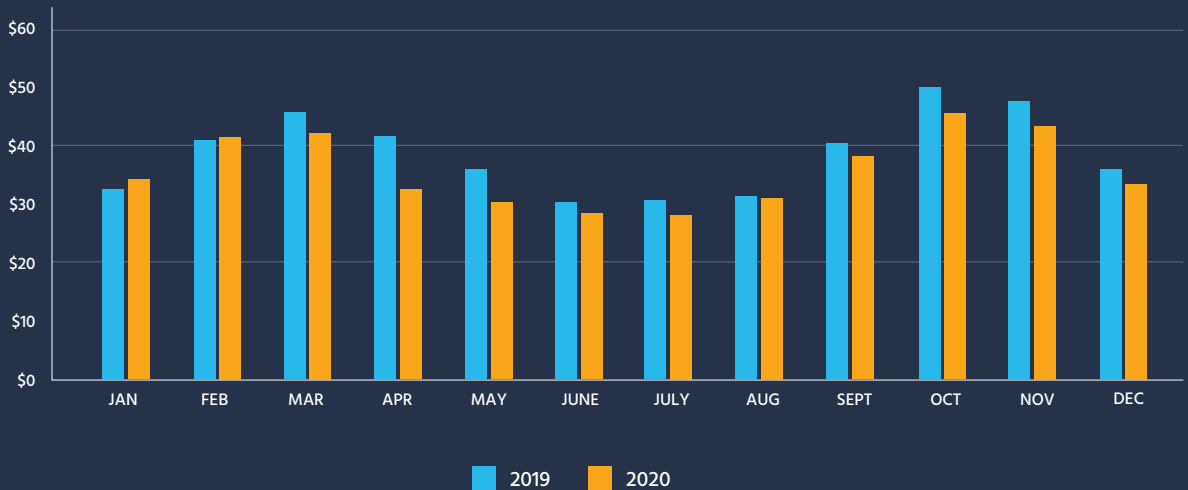
Winery shipments from March through September increased 36.5% over the same period in 2019. Moreover, each of these months saw a decrease in average price per bottle shipped over the same month in 2019, with average bottle prices in April and May declining by 21.2% and 15.5%, respectively. The last quarter of 2020 saw a continued and significant increase in shipments over 2019, with a consistently lower average price per bottle as wine consumers continued their search for value and newer online DtC shoppers sought out lower-priced wines. With December's renewed lockdowns, consumers responded by increasing their purchases to the tune of a 32.9% increase in volume over December 2019 shipments.

It's notable that throughout 2020 the normal seasonal shipping trends governed by wine club shipments and weather stayed in place. Wine club shipments in the spring and fall continued to mark these seasons as the heaviest annual shipping periods, while the warmer summer months and colder winter months saw lower shipment levels as usual.

VOLUME BY MONTH



AVERAGE PRICE PER BOTTLE SHIPPED BY MONTH





2020

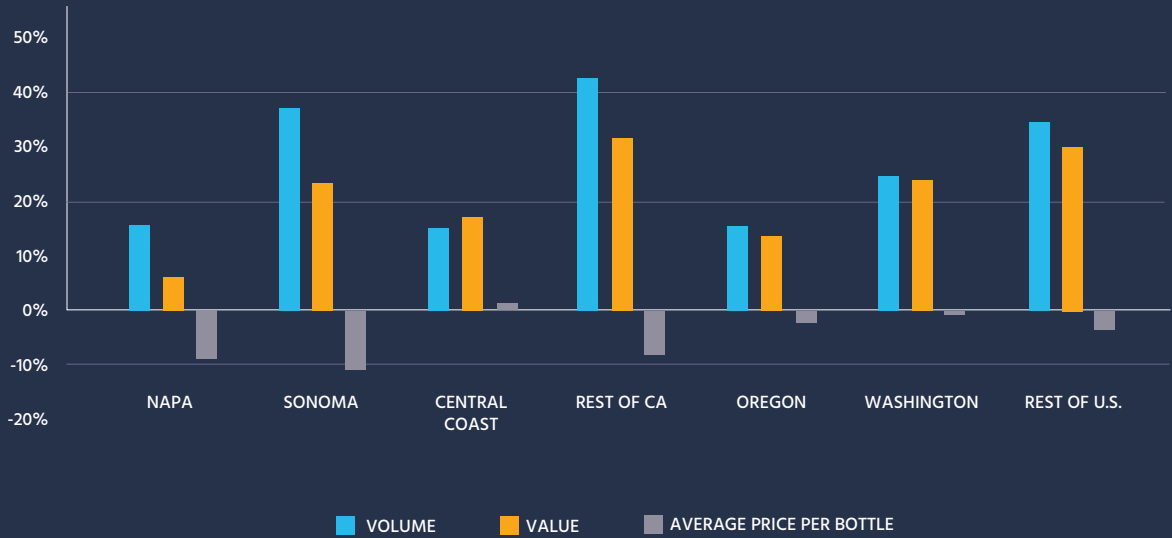
Analysis by Winery Region

In exploring the winery DtC shipping data for 2020 by region, what stands out most is how regions with the lowest average price per bottle outperformed regions with a higher average price per bottle shipped. The three regions with the lowest average price per bottle shipped (Rest of U.S., Rest of California and Sonoma) accounted for 53.1% of the total volume of wine shipped in 2020. However, these three regions accounted for 68.6% of the 1.7 million case increase in wine shipped in 2020. This is one more indication of how consumers seeking less expensive wines drove the DtC wine shipping market in 2020.

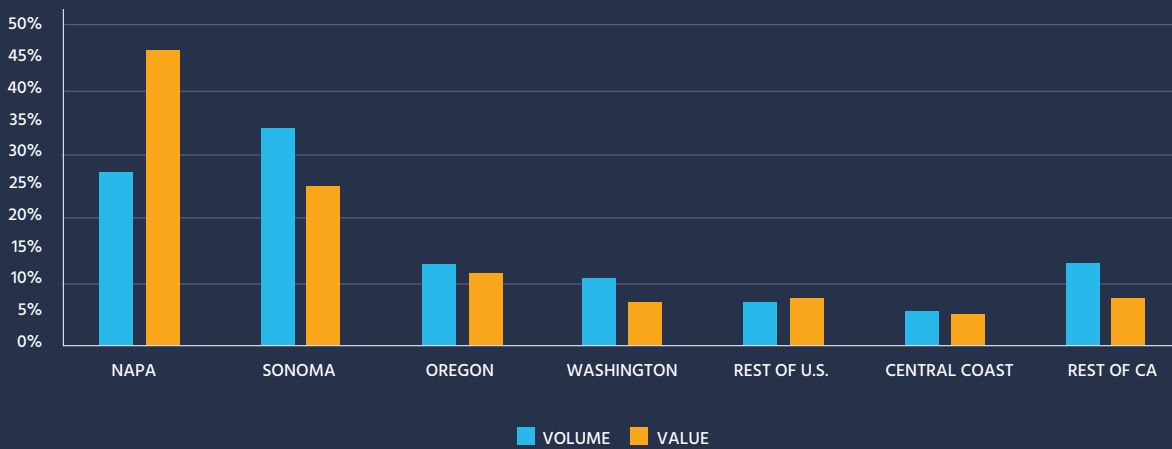
Exemplifying this point is Napa Valley, which has long garnered the highest average price per bottle shipped. In 2020, Napa Valley wineries underperformed the overall wine shipping channel, showing a 15.9% increase in volume and a 6% increase in value while experiencing an 8.6% decrease in average price per bottle shipped. Oregon, another high-priced region, also underperformed in terms of the volume of wine shipped. However, Oregon's average price per bottle remained relatively flat.

Finally, without any significant decrease in their average price per bottle shipped, wineries in the state of Washington increased the volume of their shipments by nearly 25% but significantly outperformed the overall market by increasing the value of their shipments by 24.1% on almost no decrease in average price per bottle shipped.

CHANGE IN VOLUME, VALUE & PRICE PER BOTTLE BY REGION



PERCENT OF TOTAL VOLUME & VALUE BY REGION



Napa County

It is difficult to overemphasize the struggles that Napa Valley wineries faced in 2020. Not only were they particularly hard hit by shutdowns and decreased travel to the region, but the relatively high prices of Napa Valley wines caused some value-seeking consumers to select options from other regions. In addition, Napa Valley was hit with devastating wildfires beginning in late September, right in the midst of harvest. The fires not only threw lives into chaos but also brought already limited visitation to the Valley to a near halt in the middle of a traditionally busy time for tourism and wine buying.

These circumstances took a toll on Napa Valley's DtC shipping performance in 2020. The region underperformed the overall DtC shipping channel's 27% volume climb with a 15.9% increase in volume of shipments and a 6% increase in the value of shipments compared to 14.9% for the channel as a whole. Since 2015, Napa's share of the total value of the DtC shipping channel has been slowly declining. In 2020, that decline quickened with Napa's share of the total value of the DtC shipping channel reduced from 46.6% to 42.9%. At the same time, Napa's outsized importance to the overall DtC channel, where it contributes a quarter of all volume, pulled

down the performance of the overall channel. In fact, if Napa were excluded from calculations, the overall DtC shipping channel would have increased its volume by 31.2% and its value by 22.7% over 2019 while only experiencing a 6.5% decrease in average price per bottle shipped.

Nothing underscores the performance of America's most famous wine region more than the shipments of Cabernet Sauvignon. In 2020, despite an 8% decrease in average price per bottle of Cabernet Sauvignon shipped from the region, Napa Valley's total volume of shipments of this key varietal increased only 6.6% over 2019. By contrast, the overall volume of all varietals shipped out of Napa increased by 15.9% in 2020.

Finally, consistent with the overarching pattern for DtC shipments in 2020, less expensive Napa Valley wines performed best, with Napa Valley Rosé increasing in shipments by 44.6% over 2019, White Blends increasing in shipments by 44%, and Sauvignon Blanc seeing a 38.6% increase in shipments over 2019.

TOTAL VALUE	\$1,591,406,191
TOTAL VOLUME IN CASES	2,090,280
AVG. PRICE PER BOTTLE	\$63.44
VALUE % OF TOTAL	42.9%
CHANGE IN VALUE	6.0%
VOLUME % OF TOTAL	24.9%
CHANGE IN VOLUME	15.9%
CHANGE IN AVG. PRICE PER BOTTLE	-8.6%



Sonoma County

Sonoma wineries took great advantage of consumers’ switch to direct shipment during the pandemic. Sonoma wineries increased their volume of shipments from 2019 by 724,076 cases – two and a half times the increase of the next highest regional year-over-year increase in cases shipped. Notably, 40.6% of the entire DtC shipping channel’s volume increase resulted from wine shipments originating from Sonoma wineries. This is despite the fact that Sonoma accounts for only 31.6% of the overall volume of DtC shipments.

With its 37.6% increase in volume of wine shipped in 2020 for a total of 2.6 million cases, Sonoma County now ships considerably more wine than Napa Valley wineries. The 31.6% share of the total volume of the DtC shipping channel comes just two years after passing Napa for volume share leadership. Alongside their substantial volume increase, Sonoma County wineries experienced a 10.3% drop in average price per bottle shipped. Overall, there was an increase of 23.4% in the value of shipments, culminating in a total of \$846 million of wine shipped in 2020.

Among the varietals from Sonoma County with the largest year-over-year increases by volume were also some of the region’s wines with the lowest average price per bottle shipped: Pinot Gris, Rosé and Sauvignon Blanc – each recording volume increases of more than 50% over 2019. Additionally, each of these wines showed an increase in average price per bottle shipped over 2019, bucking the dominant trend across all regions and all wines of decreased average price per bottle.

One final note is the fate of Sonoma County Cabernet Sauvignon. At 14.3% of all shipments, it is the second-most commonly shipped wine from the region, after Pinot Noir at 16.6%. In 2020, despite a 17% decrease in average price per bottle, Sonoma County Cabernet Sauvignon still underperformed most other varietals from the region in terms of change in volume, value and price.

TOTAL VALUE	\$846,394,061
TOTAL VOLUME IN CASES	2,647,779
AVG. PRICE PER BOTTLE	\$26.64
VALUE % OF TOTAL	22.8%
CHANGE IN VALUE	23.4%
VOLUME % OF TOTAL	31.6%
CHANGE IN VOLUME	37.6%
CHANGE IN AVG. PRICE PER BOTTLE	-10.3%



California Central Coast

In 2020, the 900 wineries that define California's Central Coast region, bounded by Monterey, Santa Cruz, San Benito, San Luis Obispo and Santa Barbara counties, had the distinction of being the only region tracked in this report that increased their average price per bottle shipped in 2020, up 1.6% to \$34.07. However while keeping prices stable, the region's wineries underperformed the overall DtC shipping channel with its 15.4% increase in volume shipped. In all, Central Coast wineries shipped 935,763 cases of wine in 2020, valued at more than \$382 million.

Among Central Coast wineries, three varietals account for nearly 50% of all shipments:

Cabernet Sauvignon, Red Blends and Pinot Noir. Pinot Noir, with one of the highest average prices per bottle shipped at \$41.99 (a 2.2% decrease from 2019), only increased volume shipped by 5.4% over 2019.

Other Whites, Riesling and Sangiovese increased most in volume of shipments, all with surges of more than 40% for the year. The standout varietal for the Central Coast region was Cabernet Sauvignon. Even with an average price per bottle shipped of \$39.18, which marks a 15.9% increase over 2019, Cabernet Sauvignon shipments still increased 22.5% by volume and 42% by value, totaling \$43.9 million of wine shipped in 2020.

TOTAL VALUE	\$382,629,342
TOTAL VOLUME IN CASES	935,763
AVG. PRICE PER BOTTLE	\$34.07
VALUE % OF TOTAL	10.3%
CHANGE IN VALUE	17.3%
VOLUME % OF TOTAL	11.2%
CHANGE IN VOLUME	15.4%
CHANGE IN AVG. PRICE PER BOTTLE	1.6%



Rest of California

No region tracked in this report benefited more from the consumer migration to the wine shipping channel than the Rest of California. Encompassing the counties of Mendocino, Lake, Livermore, Temecula and Sierra Nevada, plus all other areas outside the Central Coast, Napa County and Sonoma County, the Rest of California region recorded a 43.1% increase in volume of shipments and a 31.7% increase in the value of those shipments – all with an 8% decrease in the average price per bottle shipped from 2019, closely tracking the overall DtC channel’s change. It is no coincidence that this region also registered among the lowest average price per bottle shipped at \$23.37.

The size and geographic diversity of this region leads to the most varied set of wines produced among California-based regions covered in this report. While Cabernet Sauvignon, Red Blends and Zinfandel together make up 35.9% of all wines shipped from this region, the rest of the shipments are spread out more equally among a larger number of varietals than seen in other regions. This more diverse set of wines also comes with lower average price per bottle shipped, positioning the region’s wines as particularly attractive to established buyers looking for better value and to newer online shoppers seeking lower-priced wines.

Among the many remarkable year-over-year volume increases seen from the Rest of California were Pinot Gris at an increase of 58.4%, Sauvignon Blanc at +72.2%, Chardonnay at +60.5% and Merlot at an astounding +158.3%.

TOTAL VALUE	\$223,066,442
TOTAL VOLUME IN CASES	795,469
AVG. PRICE PER BOTTLE	\$23.37
VALUE % OF TOTAL	6.0%
CHANGE IN VALUE	31.7%
VOLUME % OF TOTAL	9.5%
CHANGE IN VOLUME	43.1%
CHANGE IN AVG. PRICE PER BOTTLE	-8.0%



Oregon

Although representing a much smaller portion of the DtC wine shipping channel than other regions tracked in this report (5.9% of volume in 2020), Oregon's wine industry resembles Napa Valley's insofar as its economic success is built largely upon a single varietal. In Napa, that wine is Cabernet Sauvignon or Cabernet-based blends. In Oregon, the wine is Pinot Noir. Like Napa, Oregon performed below the overall wine DtC shipping channel average in 2020 perhaps due to its higher average price per bottle shipped, which came in at \$40.38.

With its 15.5% increase in volume of wine shipped over 2019, Oregon failed to match the channel's 27% average increase in volume. However, Oregon's prices held relatively steady with only a 1.8% decrease in price per bottle shipped, leading to a 13.4% increase in the value of shipments. This is likely attributable to the strength of Oregon's DtC efforts over the past few years and the rising interest in Pinot Noir from Oregon.

In fact, it was Pinot Noir that drove most of the Oregon DtC shipping channel's 15.5% increase in the volume of shipments against a 1.8% decrease in average price per bottle. In the end, Oregon Pinot Noir achieved a 16.2% increase in value over 2019. Oregon now ships more than \$280 million in Pinot Noir annually.

TOTAL VALUE	\$240,625,476
TOTAL VOLUME IN CASES	496,642
AVG. PRICE PER BOTTLE	\$40.38
VALUE % OF TOTAL	6.5%
CHANGE IN VALUE	13.4%
VOLUME % OF TOTAL	5.9%
CHANGE IN VOLUME	15.5%
CHANGE IN AVG. PRICE PER BOTTLE	-1.8%



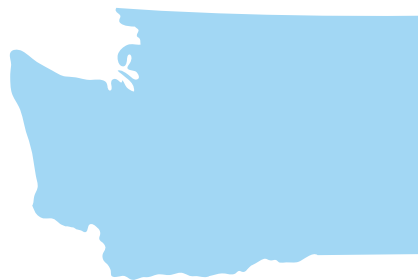
Washington State

In a year when prices for shipped wine fell, Washington State wineries not only kept their prices steady in 2020 but also increased the volume and value of their shipments near or above the overall DtC channel averages. Most impressive was the 24.1% increase in the value of Washington State wine shipments on an average bottle price of \$33.74.

In fact, Washington State wineries have been standouts in the wine shipping channel for five straight years. While only representing 4.9% of the volume of the DtC shipping channel, the region has consistently increased the value of its shipments year-over-year with 168% growth since 2015, eclipsing all other regions covered in this report. In 2020, Washington State wineries continued this trend based largely on the growing popularity of their red wines.

Cabernet Sauvignon, comprising 18.4% of all wines shipped from Washington in 2020 with an average price of \$44.61, increased shipments by 31.8% on a 4.3% increase in average price per bottle. Merlot saw a 20.9% increase in volume on an 11.8% increase in bottle price. The category of Other Reds saw a 38.5% increase in volume over 2019 on a 4.3% increase in price. Interestingly, the Red Blend category, with its leading 23.8% of total volume of Washington wine shipped, saw only a 6.6% increase in volume on an 8.3% decrease in average price to \$34.90.

TOTAL VALUE	\$166,868,380
TOTAL VOLUME IN CASES	412,148
AVG. PRICE PER BOTTLE	\$33.74
VALUE % OF TOTAL	4.5%
CHANGE IN VALUE	24.1%
VOLUME % OF TOTAL	4.9%
CHANGE IN VOLUME	24.9%
CHANGE IN AVG. PRICE PER BOTTLE	-0.6%



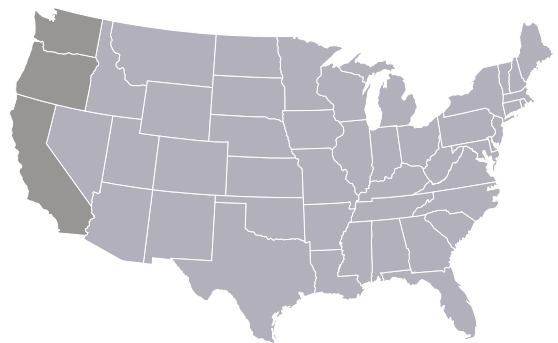
Rest of United States

Of all the regions tracked in this report, the Rest of the United States category — which includes a vast and hugely diverse set of wine growing regions — has the lowest average price per bottle shipped at \$21.07. These wineries' lower average prices helped the region perform well with a 34.7% increase in the volume of shipments over 2019, a 30.6% increase in the value of the shipments and a much better than average 3.1% decrease in average price per bottle shipped.

The one wine that dominates this region, despite it being produced quite differently from state to state, is the Red Blend. In 2020, these wines shipped at an increased clip of 42.8% by volume over 2019 and 41.8% by value, and they did so while only reducing prices by 0.7% to \$23.71 — outperforming the overall DtC shipping channel average by a significant margin.

Yet even within this region and its relatively lower-priced wines, it was the lowest-priced wines that saw the greatest increase in shipments over 2019. At \$15.11 per bottle, White Blends saw a 41.4% increase in volume. Pinot Gris, at \$16.75 per bottle, increased in volume of shipments by 38.5%. Riesling, which accounted for 6.1% of all shipments from the Rest of U.S. region, improved its volume by 35.2% over 2019. Meanwhile, Rosé shipments increased by 42.5% while also seeing an 8.6% increase in the average price per bottle shipped, demonstrating the momentum of Rosé sales, the migration to lower prices and the entry of new consumers into the DtC channel.

TOTAL VALUE	\$254,852,714
TOTAL VOLUME IN CASES	1,007,827
AVG. PRICE PER BOTTLE	\$21.07
VALUE % OF TOTAL	6.9%
CHANGE IN VALUE	30.6%
VOLUME % OF TOTAL	12.0%
CHANGE IN VOLUME	34.7%
CHANGE IN AVG. PRICE PER BOTTLE	-3.1%

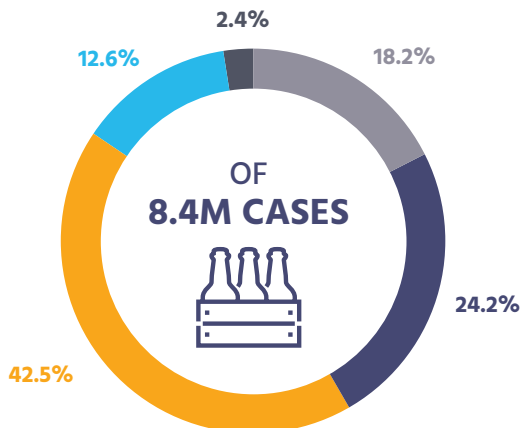




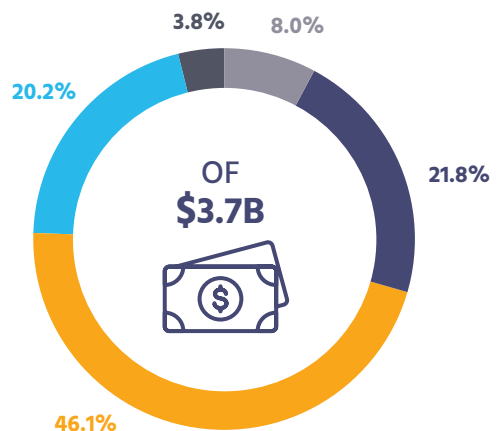
Analysis by Winery Size (Production)

When looking at 2020 DtC wine shipments by winery size, it is hard to ignore the fact that the greater the decrease in average price per bottle shipped over 2019, the greater the increase in volume of wines shipped in 2020. The smallest and largest production size categories saw decreases in average price per bottle shipped of 16% and 17.3% respectively. At the same time, Limited Production wineries increased their volume of shipments by 64.9% while the largest wineries saw a 54.7% increase in volume. With that 54.7% increase in volume shipped in 2020, the largest winery category (those producing 500,000 cases or more annually) now claims 18.2% of the DtC wine shipping channel, up from 5.5% in 2015.

VOLUME OF SHIPMENTS BY WINERY SIZE



VALUE OF SHIPMENTS BY WINERY SIZE



LARGE 500,000+ 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

Large Winery Size

(500,000 or more cases produced annually)

America's largest wineries have historically had the lowest average price per bottle shipped, a benefit in 2020 when DtC consumers increasingly sought out lower-priced wines.

Case in point, the average price per bottle shipped for large-scale producers declined by 17.3%, leading to a 54.7% increase in the volume of wine shipped and a 27.9% increase in the value of shipments.

The increase in shipments led this largest category of wineries to overtake the Very Small winery category as the third-largest category of shipper by volume.

TOTAL VALUE	\$297,413,123	CHANGE IN VALUE	27.9%
TOTAL VOLUME IN CASES	1,525,746	VOLUME % OF TOTAL	18.2%
AVG. PRICE PER BOTTLE	\$16.24	CHANGE IN VOLUME	54.7%
VALUE % OF TOTAL	8.0%	CHANGE IN AVG. PRICE PER BOTTLE	-17.3%

Medium Winery Size

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

Similar to those in the Large Winery size category, this set of medium-sized wineries mostly has commitments to sell through wholesalers to one degree or another, compared to smaller-sized wineries, which rely on DtC sales to a greater extent. In 2020, medium-sized wineries underperformed the overall DtC shipping channel with a 20.9% increase in volume. However, by reducing prices only 3.3%, they saw a 16.8% increase in the value of their shipments.

TOTAL VALUE	\$809,307,553	CHANGE IN VALUE	16.8%
TOTAL VOLUME IN CASES	2,033,336	VOLUME % OF TOTAL	24.2%
AVG. PRICE PER BOTTLE	\$33.17	CHANGE IN VOLUME	20.9%
VALUE % OF TOTAL	21.8%	CHANGE IN AVG. PRICE PER BOTTLE	-3.3%

Small Winery Size

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

The Small Wineries category is where the average price per bottle shipped starts to move up significantly, making these wineries' products prime candidates for direct sales and DtC shipments. This category of winery outperformed the overall DtC shipping channel average. Keeping their price drops to only 7.1%, wineries in this category were able to increase the value of their shipments by 18.5%, leading to \$1.7 billion in wine shipments – representing 46.1% of the value of the entire DtC shipping channel.

TOTAL VALUE	\$1,709,316,283	CHANGE IN VALUE	18.5%
TOTAL VOLUME IN CASES	3,568,188	VOLUME % OF TOTAL	42.5%
AVG. PRICE PER BOTTLE	\$39.92	CHANGE IN VOLUME	27.6%
VALUE % OF TOTAL	46.1%	CHANGE IN AVG. PRICE PER BOTTLE	-7.1%

Very Small Winery Size

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

The group of Very Small Wineries underperformed the overall DtC shipping channel average considerably, bucking the overall trend of producers trading increased volume at the expense of price. Because these producers ship wines of higher than average prices, this category only increased its volume of shipments 4.3% over 2019. This is likely the result of Very Small Wineries not seeing a significant decrease in average price per bottle (only 5%), especially when compared to the typically similarly priced Limited Sized Wineries, which registered a 16% decrease in average price per bottle shipped but were able to achieve a 64.9% increase in volume as noted below.

TOTAL VALUE	\$748,339,131	CHANGE IN VALUE	-0.9%
TOTAL VOLUME IN CASES	1,058,992	VOLUME % OF TOTAL	12.6%
AVG. PRICE PER BOTTLE	\$58.89	CHANGE IN VOLUME	4.3%
VALUE % OF TOTAL	20.2%	CHANGE IN AVG. PRICE PER BOTTLE	-5.0%

Limited Production Winery Size

(Up to 999 cases produced annually)

These Limited Production Wineries deal in scarcity, quality and high prices. In 2020, customers saw these wineries reduce prices substantially, bringing the average price per bottle shipped down 16% to \$59.05. Despite these still relatively high prices, this category of winery saw a whopping 64.9% increase in the volume of wine shipped over 2019 and a 38.5% increase in the value of their DtC shipments. A number of wineries within this limited production category sell wines well in excess of \$100 per bottle. It seems likely that the more knowledgeable customers that support these producers knew a good bargain when they saw it.

TOTAL VALUE	\$141,466,514	CHANGE IN VALUE	38.5%
TOTAL VOLUME IN CASES	199,645	VOLUME % OF TOTAL	2.4%
AVG. PRICE PER BOTTLE	\$59.05	CHANGE IN VOLUME	64.9%
VALUE % OF TOTAL	3.8%	CHANGE IN AVG. PRICE PER BOTTLE	-16.0%



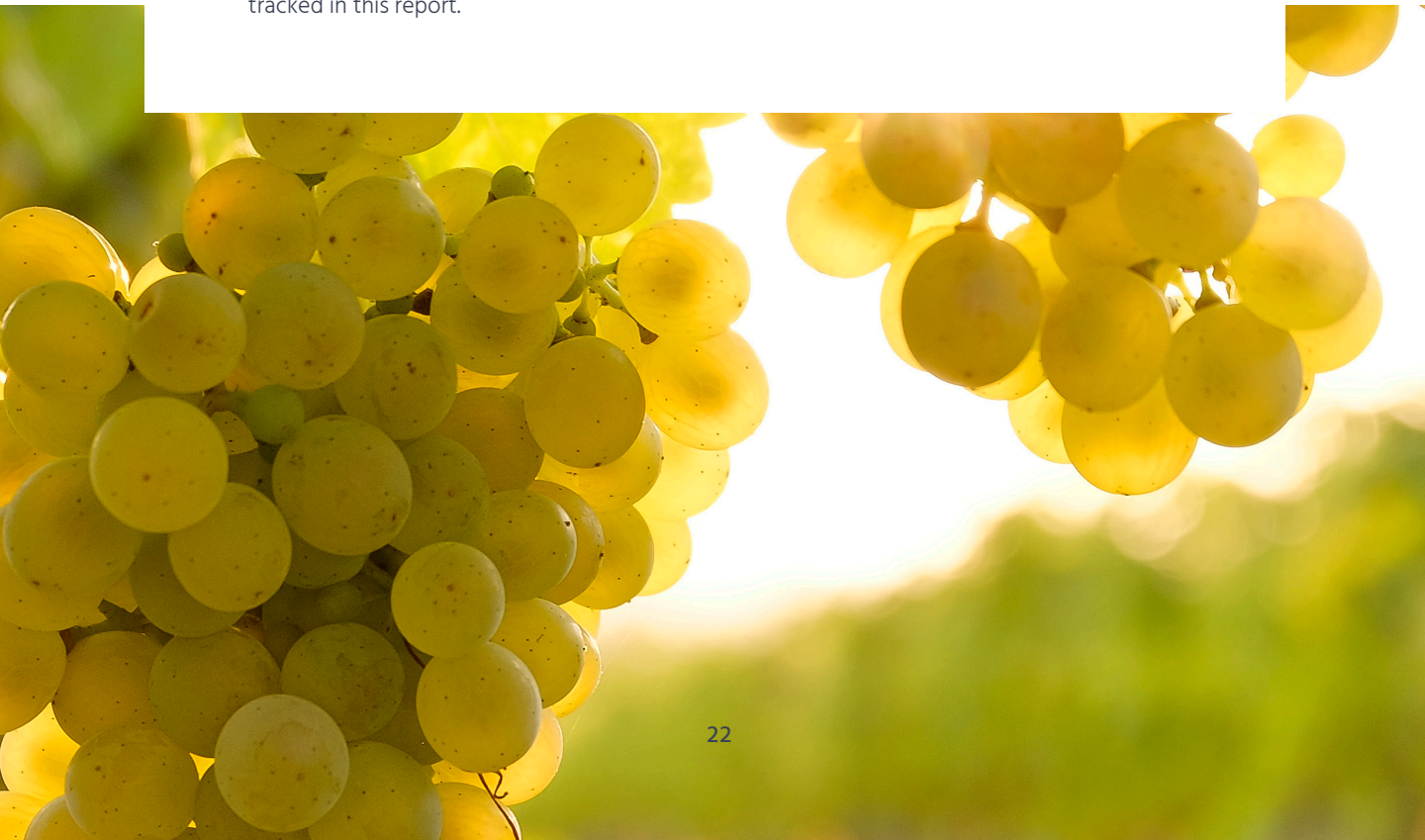
2020

Analysis by Varietal

Overall, 2020 DtC wine shipping data show a direct correlation between decreases in average price per bottle shipped and increases in volume compared to 2019.

The top five most commonly shipped wines remained unchanged from the past decade: Cabernet Sauvignon, Red Blends, Pinot Noir, Chardonnay and Zinfandel. Yet of these top-five shipped wines, only Chardonnay, with its lower-than-average price per bottle shipped, outperformed the overall DtC shipping channel. Meanwhile, Cabernet Sauvignon, with the highest average price per bottle, performed the worst of all 20 wine varieties tracked, due in large part to the lower than expected performance of Napa Valley's Cabernet Sauvignon shipments.

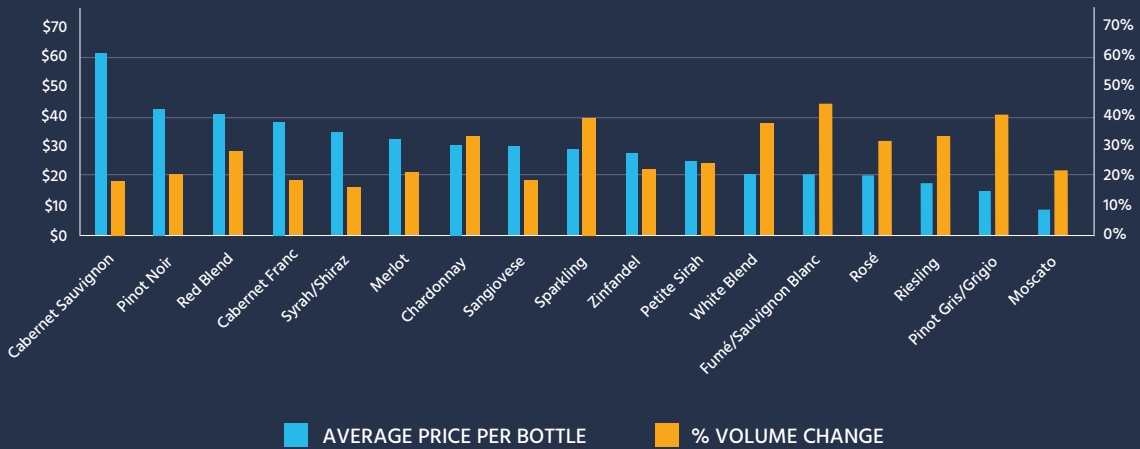
Among the varieties that excelled in volume growth in 2020 were: Pinot Gris, up 41.3% over 2019; Sauvignon Blanc, up 44.7%; Riesling, up 34.2%; Rosé, with a 32.6% increase in volume (along with an 8.6% increase in average price per bottle shipped); and White Blends, up 37.9% over 2019. All of these wines rank among the lowest average price per bottle shipped of those tracked in this report.



TOP DTC SHIPPED VARIETALS

Rank by Volume	Varietal	% of Total Volume	Change in Volume	Average Bottle Price	Change in Bottle Price
1	Cabernet Sauvignon	15.5%	18.2%	\$62.03	-13.1%
2	Red Blend	14.1%	28.5%	\$41.34	-10.9%
3	Pinot Noir	13.7%	21.0%	\$43.02	-7.7%
4	Chardonnay	9.5%	33.6%	\$31.02	-8.4%
5	Zinfandel	5.8%	22.6%	\$28.22	-5.3%

AVERAGE PRICE PER BOTTLE AND CHANGE IN VOLUME BY VARIETAL



2020

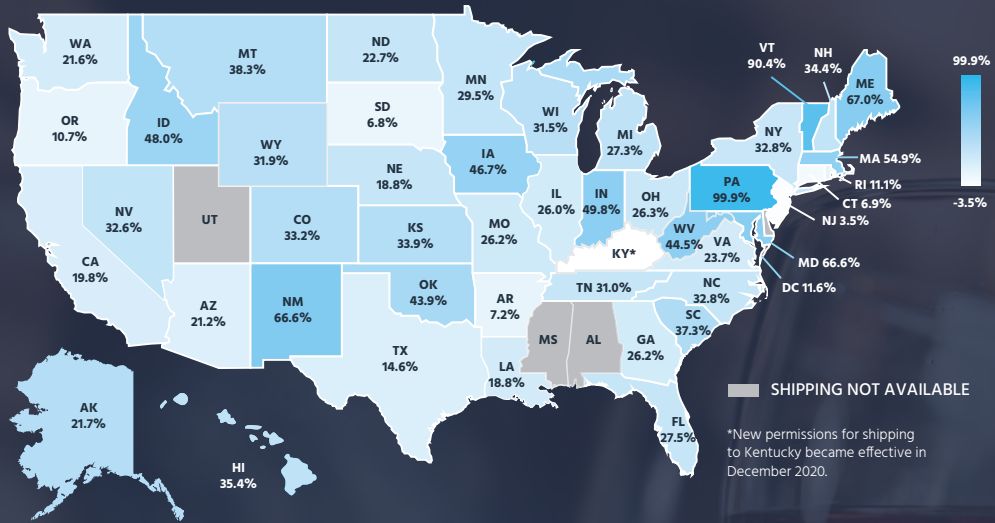
Analysis by Destination of Shipments

The same five states that received the most winery shipments in 2019 held their positions in 2020. However, none of these states outperformed the overall changes in the DtC shipping channel in 2020, either reducing their average prices per bottle shipped more than average or failing to increase their volume and value of shipments received at the same rate as the overall DtC channel. It's also notable that these top five destination states collectively saw their share of volume decrease, a downward trend that has been ongoing since 2013 as more states have opened for DtC shipments.

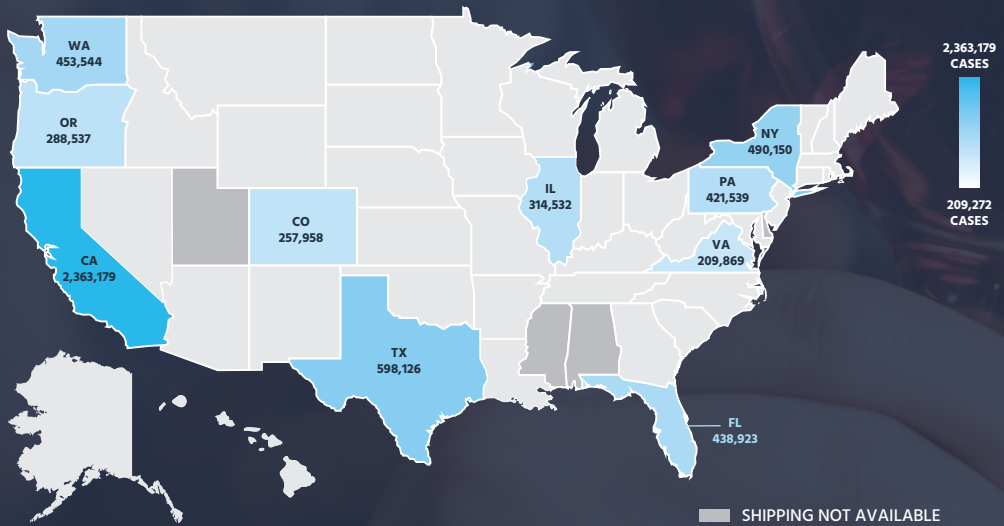
The 2020 shipping results were unaffected by the opening of any new states for DtC shipments. Four states still remain to be opened for shipping: Alabama, Delaware, Mississippi, and Utah.

One state worth calling special attention to is Pennsylvania, which saw a 99.9% increase in the volume of shipments received over 2019 with a 25.7% decrease in average price per bottle shipped to the state's consumers. This increase in volume of shipments to Pennsylvania was almost certainly due to the state shutting down liquor stores entirely by mid-March. But after watching consumers go into nearby states to purchase alcohol, Pennsylvania reopened liquor stores just two weeks after the shutdown. Although Pennsylvania quickly reversed its policy, the initial rush to other states and online purchases led Pennsylvanians to continue buying from out-of-state sources in subsequent months at an increased clip over 2019. In fact, in April, Pennsylvania wine drinkers increased their shipments from wineries by 244% over the same month in 2019.

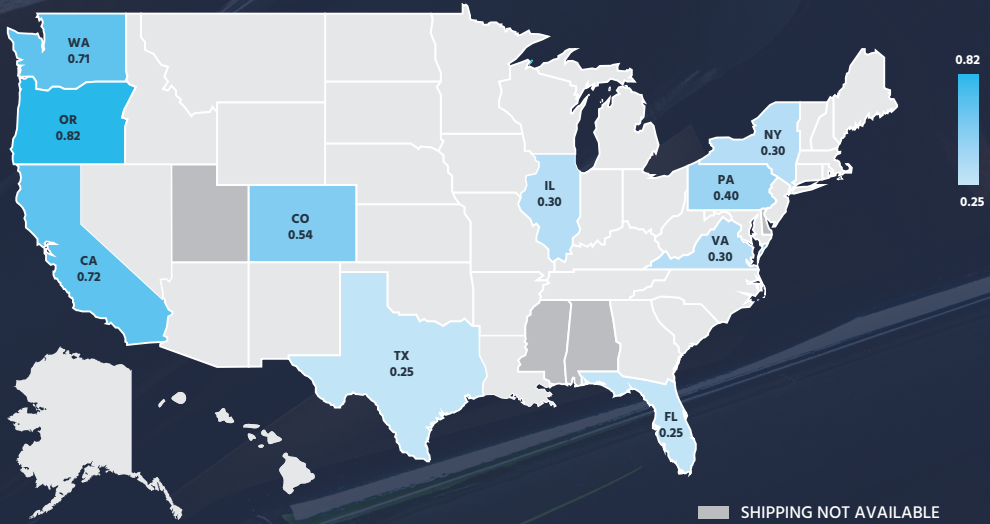
ONE-YEAR VOLUME CHANGE BY STATE



TOTAL VOLUME OF SHIPMENTS, TOP 10 STATES



TOP 10 STATES BY BOTTLES SHIPPED PER CAPITA

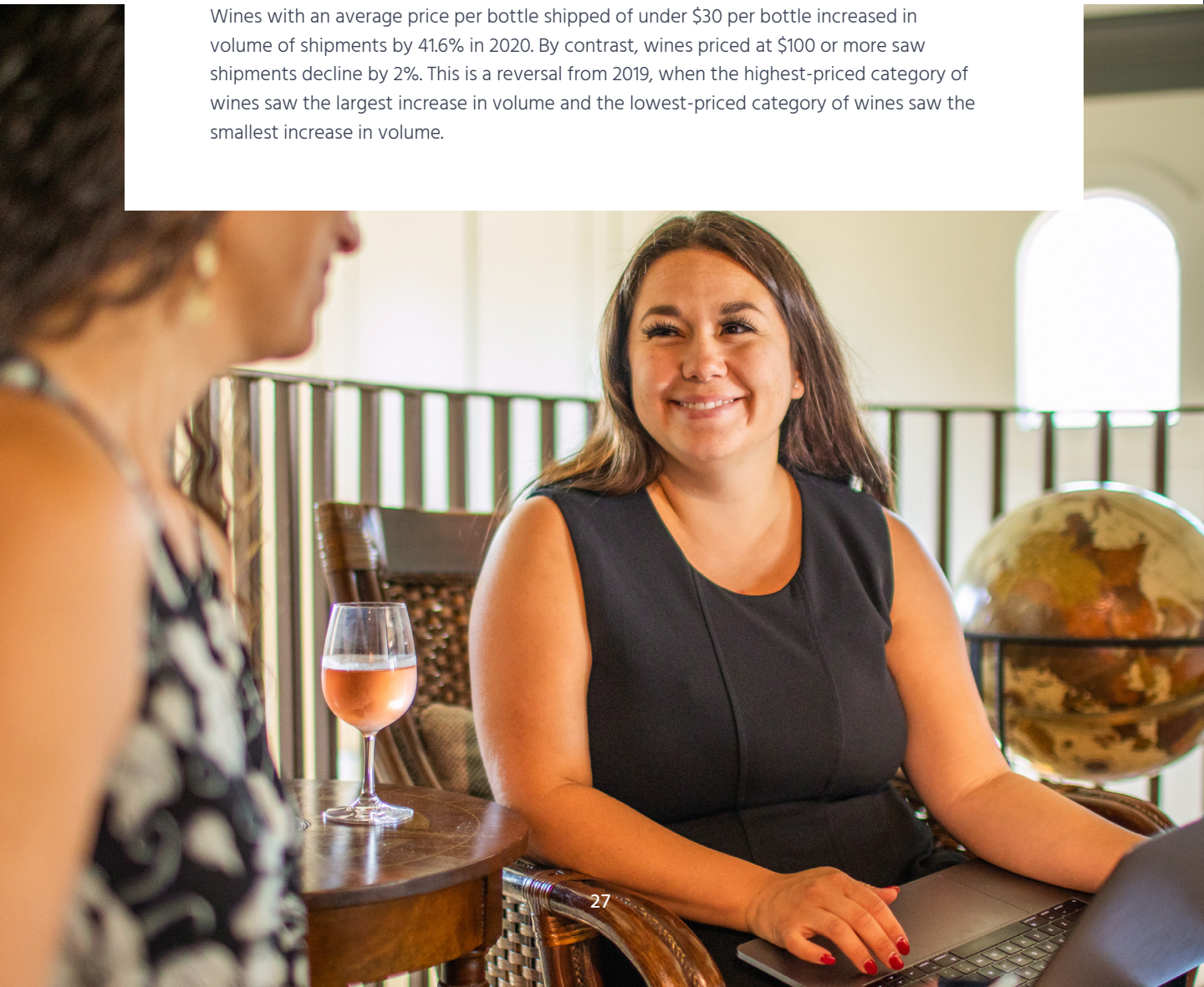




2020

Analysis by Price

Examining 2020 DtC wine shipments by price category, we see a correlation between higher increases in volumes shipped and lower average price per bottle shipped. This is a result of consumers seeking value along with an increase in new DtC shipping consumers. Wines with an average price per bottle shipped of under \$30 per bottle increased in volume of shipments by 41.6% in 2020. By contrast, wines priced at \$100 or more saw shipments decline by 2%. This is a reversal from 2019, when the highest-priced category of wines saw the largest increase in volume and the lowest-priced category of wines saw the smallest increase in volume.



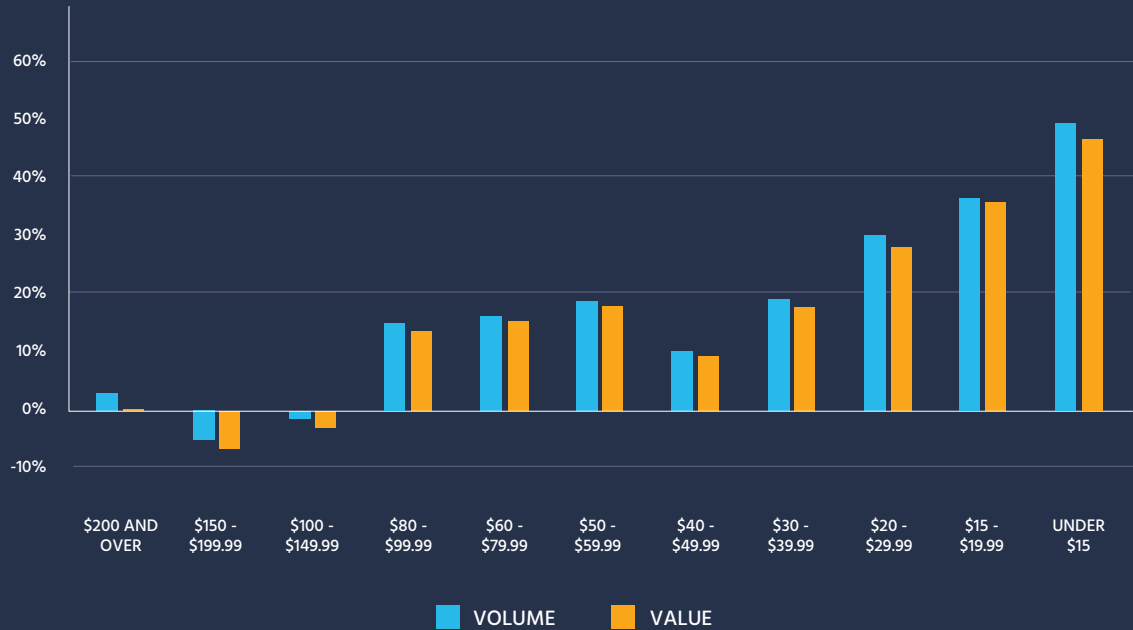
PERCENT OF TOTAL VOLUME BY PRICE CATEGORY FOR 2019 & 2020



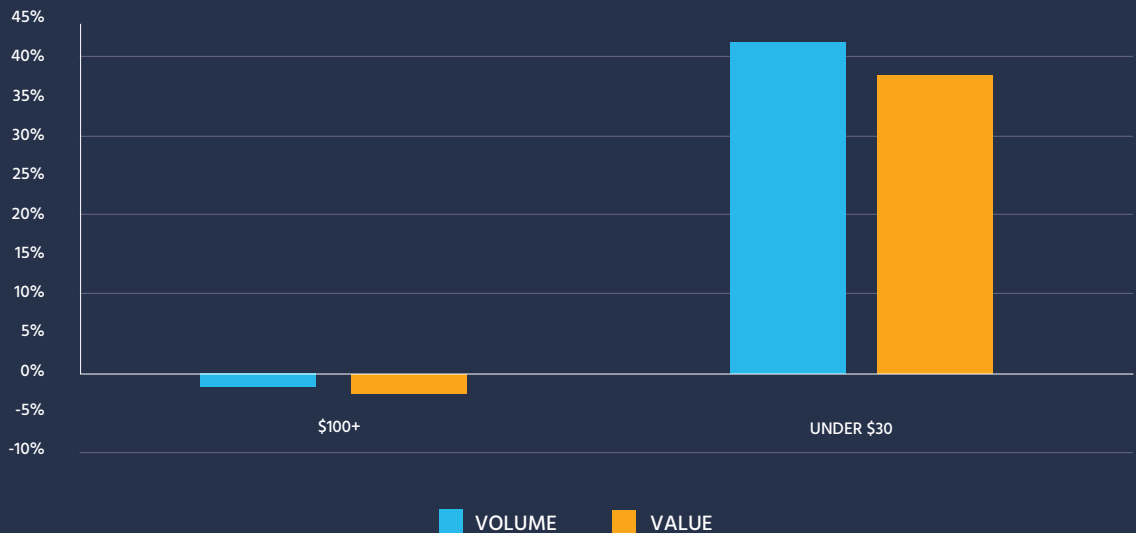
SHARE OF VOLUME & VALUE BY PRICE GROUP



CHANGE IN VOLUME AND VALUE BY PRICE CATEGORY



CHANGE IN VOLUME AND VALUE, >\$100 AND <\$30





Conclusions and Forecasts

Any organic changes and trends that may have defined the DtC shipping channel are almost impossible to discern for 2020 given the disruption brought on by changes in both consumer and producer behavior. For example, in last year's report, we were able to confidently predict that trends in the DtC shipping channel would lead to downward pressure on pricing and slower growth in the overall channel. Well, we got the downward pressure on prices correct but for the wrong reasons. With this in mind, we have reexamined the current landscape to help shape conclusions and provide forecasts for the coming year.



1 / Continued Higher-Than-Normal Volume Through at Least June 2021

We recognize that state-based COVID-19 restrictions, as well as self-imposed limitations on social gatherings, will have a significant impact on the DtC shipping channel. Due to continued uncertainty, we anticipate online wine purchasing and shipping to continue at increased levels in the first half of 2021. We would expect a slow return to wine tourism to begin in the second half of 2021.



2 / Continued Downward Pressure on Pricing

While we expect to see improvements to the economy in 2021, the move to lower bottle prices in the DtC shipping channel will likely continue for the foreseeable future. We don't expect another year of 9.5% price decreases, however we do expect little to no increase in the average price per bottle shipped in 2021, due in part to the channel's newer and younger buyers, who typically have less purchasing power.



3 / Significant Increase in Competition for Online Dollars

More retailers are moving aggressively into online sales. Distillers and brewers are both looking to increase their opportunity to sell online and ship directly to consumers, and there are signals that states will pass additional laws permitting interstate shipment of spirits and beer. These factors, in particular, will lead to greater competition for wineries in 2021 and beyond.



4 / Millennials Will Dominate the Wine Shipping Channel

Millennials are now moving into their peak earning years as younger Boomers begin their transition to retirement. Moreover, surveys suggest that Millennials will be less likely than Gen Z to return to wine tasting rooms. Finally, it appears that many Millennials will permanently work from home after the pandemic wanes. Remote workers have been shown to buy wine on a more frequent basis than those who work outside the house. These factors all lead us to believe it will be the large Millennial cohort that dominates the DtC channel in 2021 and beyond.



5 / Long-Term Impact of the COVID-19 Experience on Wine

The question many are asking is to what degree the increased online wine purchasing patterns during the COVID-19 pandemic will continue when the pandemic is over. We believe three factors work in favor of a continued boost to online wine sales. First, lockdowns early on in the pandemic caused many – including younger, first-time purchasers – to discover the convenience and greater choice available when buying wine through the DtC channel.

Second, with more professionals opting to permanently work from home, online purchases have become much more commonplace, and wine sales are no exception.

Finally, wineries that have seen the positive impact of aggressive online marketing will devote more resources to this marketing and sales channel. We believe when taken together these three factors could lead to a doubling of the volume of winery DtC shipments over the next five years.

Methodology

This report is an annual collaboration between Sovos ShipCompliant and Wines Vines Analytics. It analyzes anonymized, detailed shipment data from more than 1,100 U.S. wineries' monthly shipments to consumers each month.

Each shipment is edited for submission for governmental tax and reporting requirements. Additionally, elements such as varietal are validated by standardized tables. The data is submitted to a proprietary model that applies weighting to assure that aggregated transactions evenly reflect winery size, location and average bottle price. The model is built on a database of more than 11,000 wineries updated monthly by Wines Vines Analytics. This database is a near census of U.S. wineries (>99%). The model incorporates recognized statistical techniques to identify outliers and data anomalies.

DATA SPECIFICATIONS:

Number of shipments annually	40 million+
Wineries reporting	1,000+
Winery database	11,000+

Bonded and virtual wineries are included in the report; wines sold and shipped through online retailers, flash resellers and affinity clubs are not.

DEFINITIONS:

A Bonded winery is licensed by the Alcohol and Tobacco Tax and Trade Bureau (TTB); additional bonded locations of a winery, such as storage facilities under the same management, are not counted.

Virtual wineries have a unique physical location (which may be another entity's winery), produce one or more brands, and have their own winemaker and management (these may be shared with other entities).

A shipment is defined as a specific wine shipped to a specific consumer. Multiple products to the same location are counted as multiple shipments.

PROJECTION MODEL:

The model is stratified by size (cases produced), location and average bottle price. The report accurately projects this very large sample to all wineries in the United States.

Acknowledgments

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