October 2019: Focus on DtC Wine Sales

October 2019

US Wine Sales +4%	Off-Premise +2%	DTC Shipments +9%	Winery Jobs -2%

[12 month change]
While the latest Wine Industry Metrics reveal positive sales growth in September, the U.S. wine industry is riven with concerns over flattening sales volume. Direct-to-consumer and online wine sales, however, appear poised to provide a foundation for future expansion.

DtC Shipments Reflect Sales Trends

> Direct-to-consumer shipments increased 9% in the last 12 months.
>
> Wineries in Napa and Sonoma counties dominate DtC shipments as tasting room traffic moderates.
>
> DtC shipments account for 10% of off-premise sales of domestic wine in the U.S. versus 17% in Australia.
>
> Millennials point to a future for online orders, but Gen Z continues to find its way.

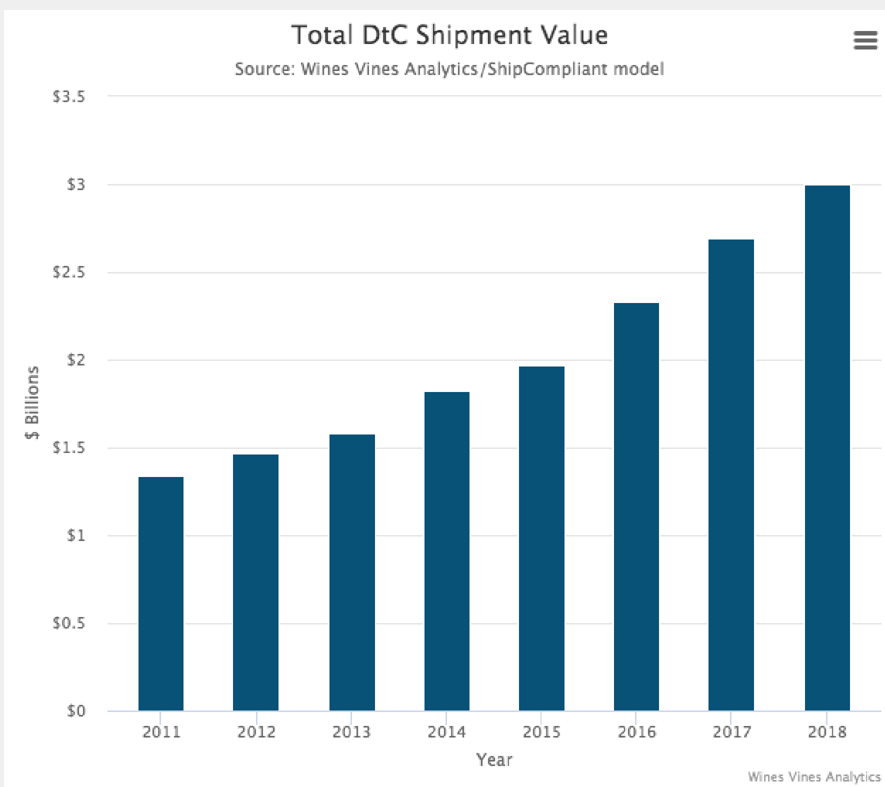
Direct-to-consumer (DtC) shipments have been the standout sales channel in the wake of the Great Recession, as wineries sought to boost margins through direct sales, embraced online marketing tools and built relationships with discovery-minded consumers. Tasting rooms initially flourished, and shipments from wineries followed suit.

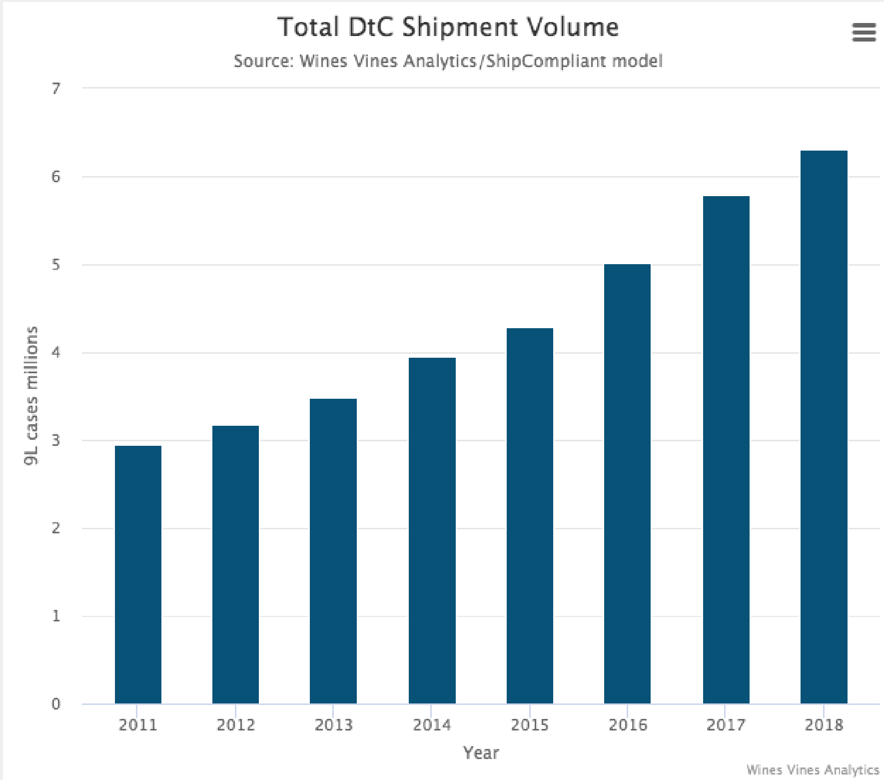
Data compiled by Wines Vines Analytics/ShipCompliant shows that from 2014 to 2018, the value of shipments increased 65% to top $3 billion, while case volumes rose 60%. This year, the value of shipments has continued to climb, rising 9% in the 12 months ended in August compared to the same period in 2018. When holiday shipments in the October-December period are factored in, the total for the year could reach 9% to more than $3.2 billion. That works out to 10% of total off-premise sales of domestic wine, and 6% of all domestic wine sales in the U.S.

California has long led the channel, currently holding an 84% share of the value with $2.6 billion in shipments in the latest 12 months. Napa County, in turn, dominates within California, with $1.5 billion in shipments, or 47% of the national total. And those shipments head to the largest wine-buying states: California, followed by Texas and New York.

Shipments have continued to grow even as visits to tasting rooms have pulled back since 2014. Visitors have more tasting rooms to choose from, and the style of visit is changing (many are staying longer at individual locations), but shipments continue to increase.

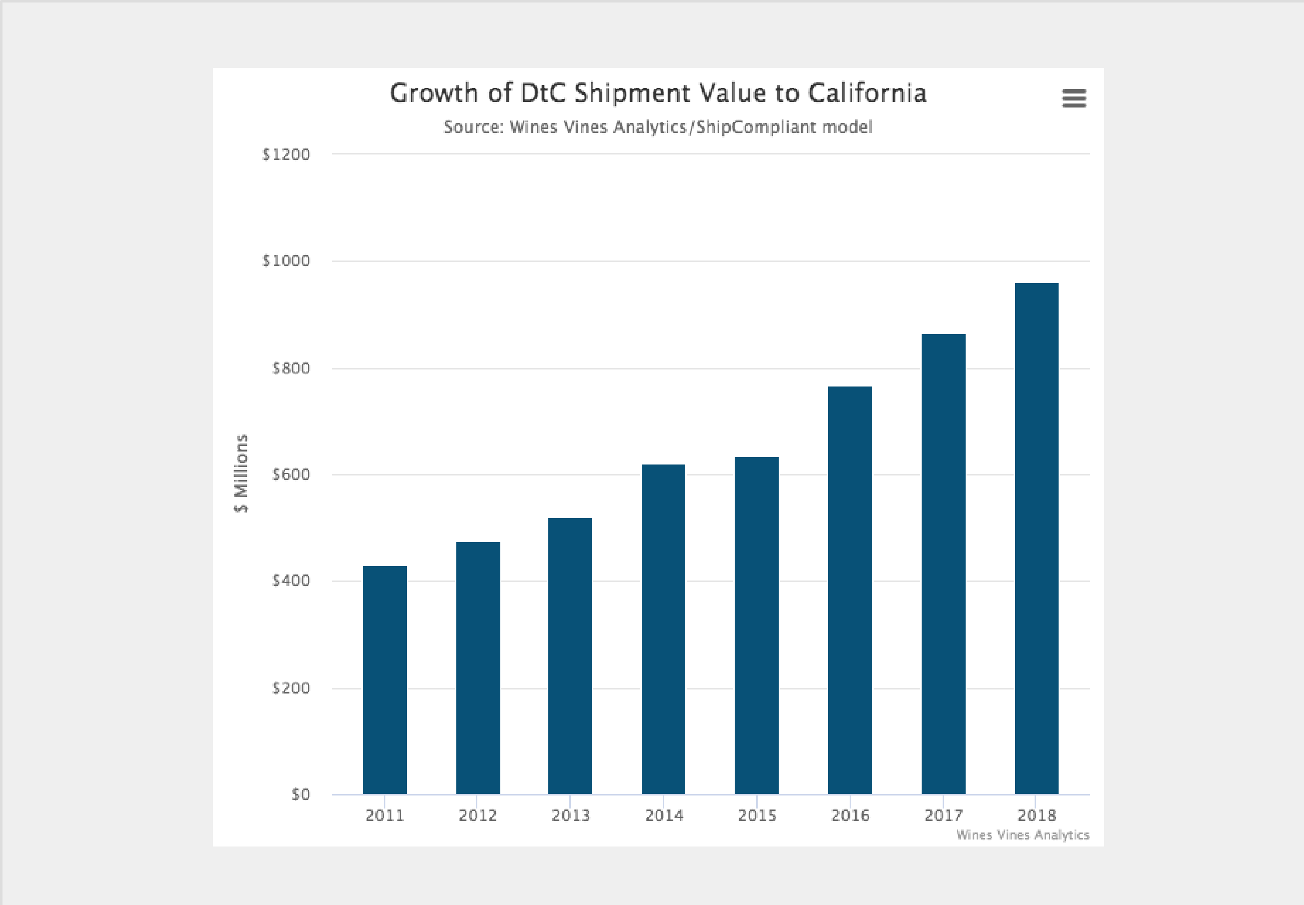
Yet a parallel trend to the decline in tasting room visitors is also occurring: All that wine is reaching more destinations. Shipments to California and New York destinations gave ground to other states as more consumers began receiving wines this way.



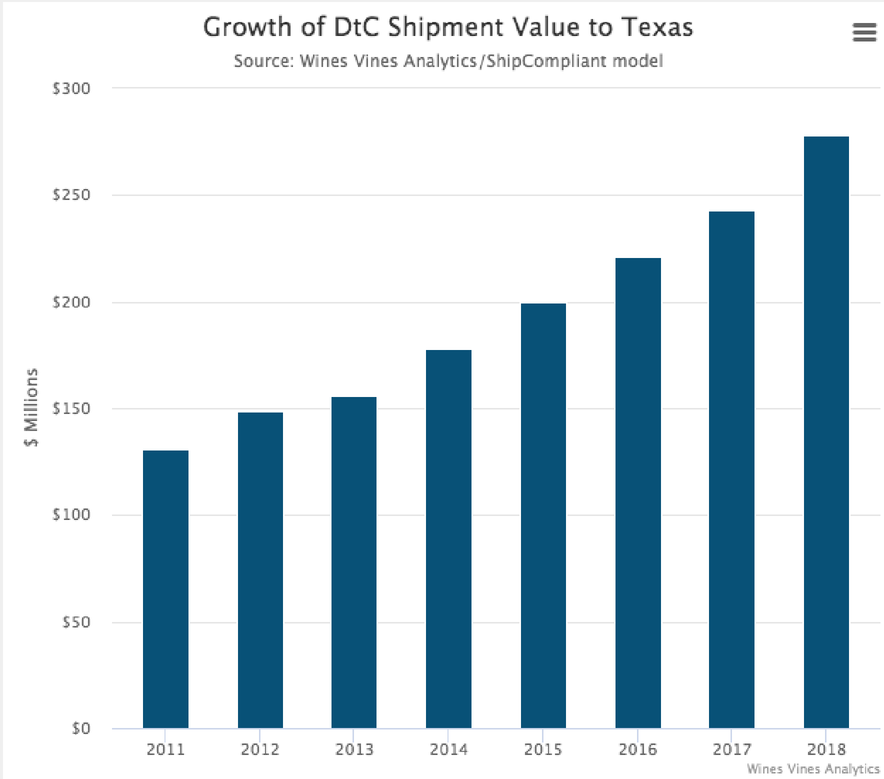


In particular, Texas and Florida have gained significant ground and now receive more than 18% of DtC shipments from Napa. Florida destinations also registered one of the biggest leaps in average bottle price, from $75 to $81. New York destinations recorded the greatest increase in average bottle price, with the value rising from $71 to $78 over the past year – a 10% increase.

Meanwhile, case shipments from wineries in Sonoma County have leaped over Napa's to claim first place, even though they're worth less than half that of shipments from Napa. Sonoma County shipments were worth just $658 million in the latest 12 months, or 21% of the channel.



California both ships and receives the most wine by value and volume. Shipment data is the amount of wine shipped to consumers in key wine consuming states.


Growth of DtC Shipment Value to Texas
Source: Wines Vines Analytics/ShipCompliant model
$ Millions
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2011
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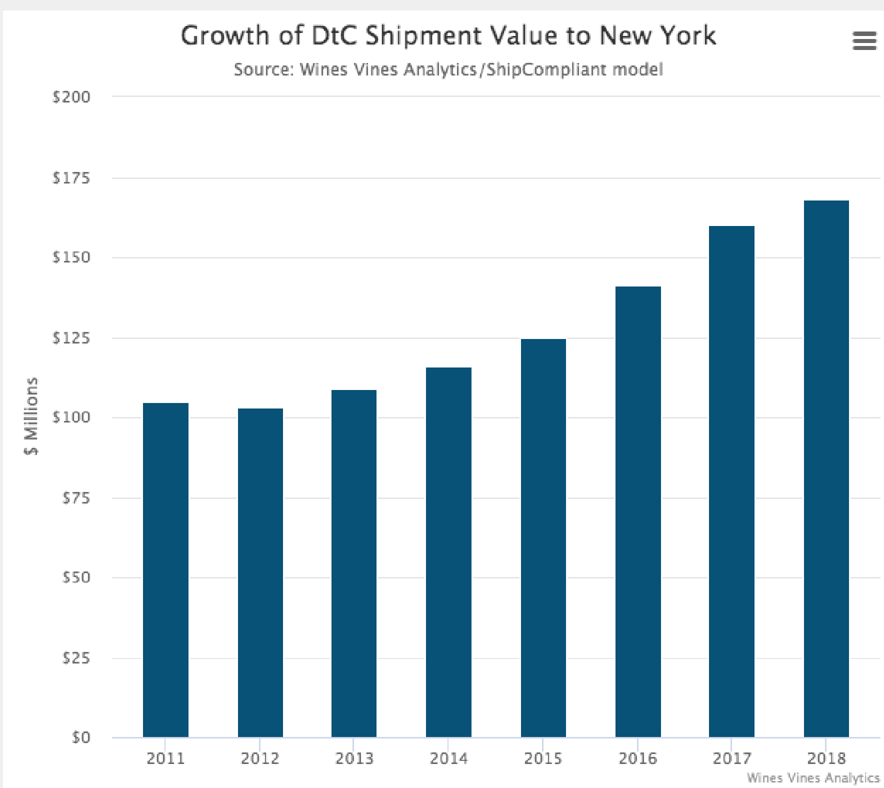
Wines Vines Analytics


Growth of DtC Shipment Value to New York
Source: Wines Vines Analytics/ShipCompliant model
$ Millions
$200
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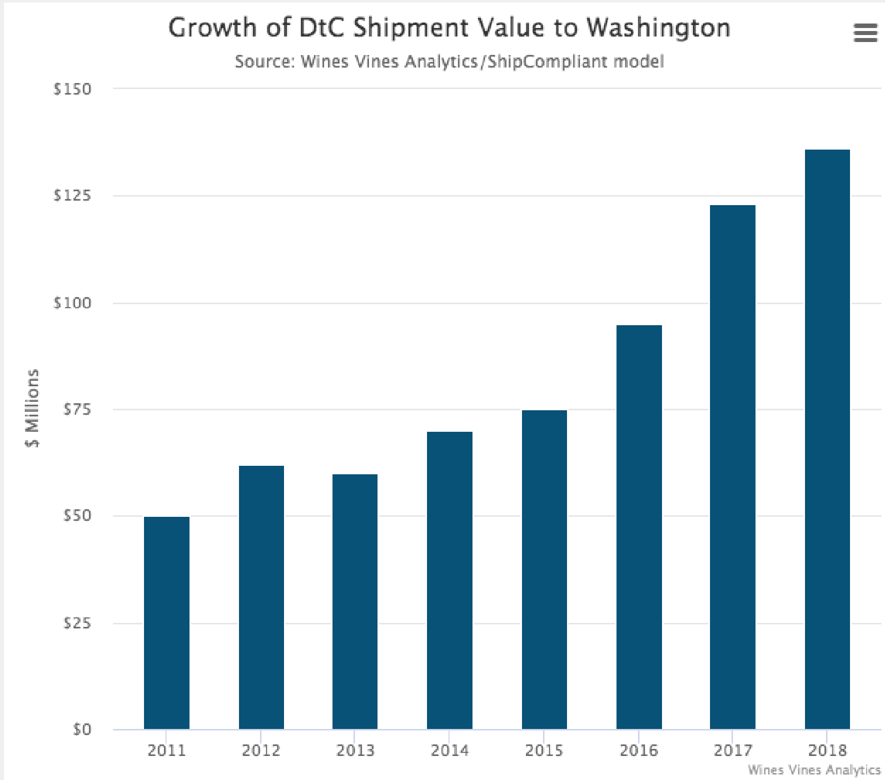
Growth of DtC Shipment Value to Washington
Source: Wines Vines Analytics/ShipCompliant model
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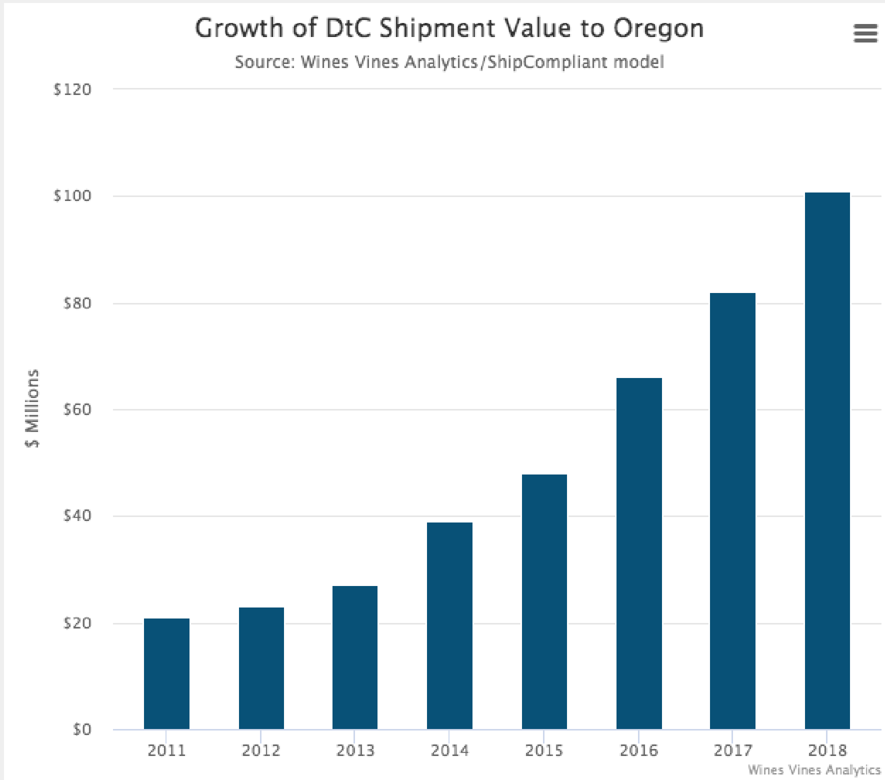
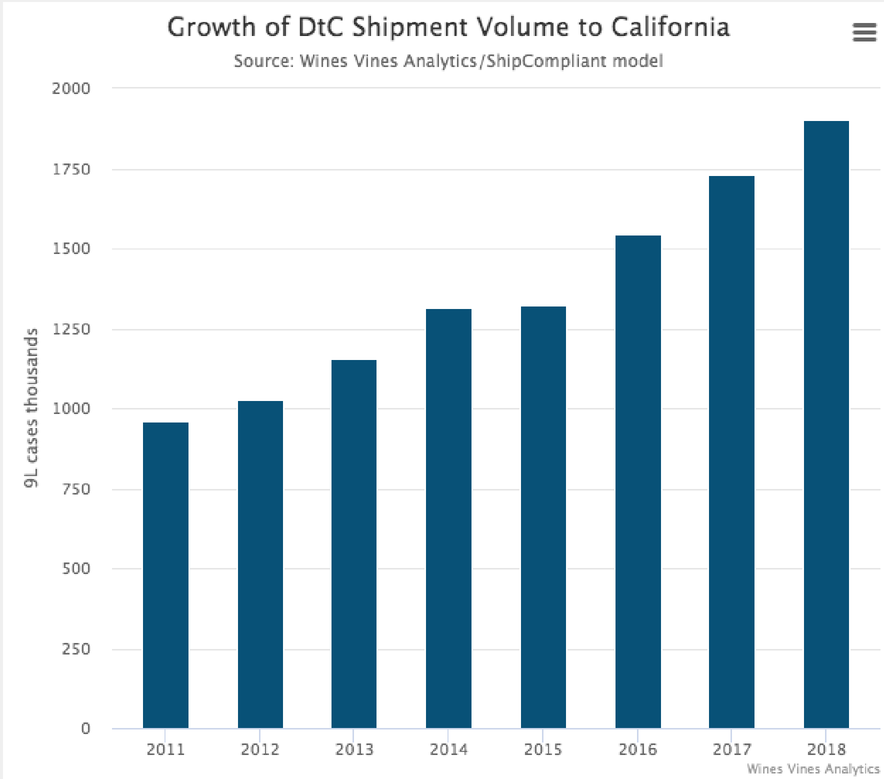
Wines Vines Analytics



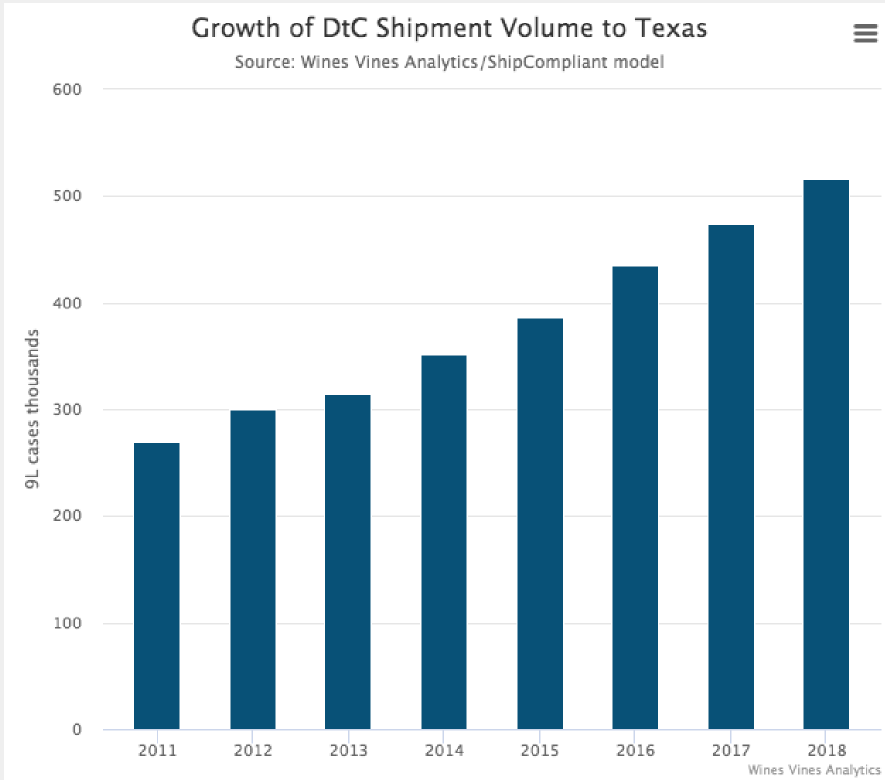
The most important variety in Sonoma is Pinot Noir, which accounted for $180 million worth of shipments in the latest 12 months, with an average bottle price of $45.69, higher than any other variety.

However, Cabernet Sauvignon and Chardonnay are being shipped a lot more often from Sonoma, and the average bottle price of these is also increasing. The changes speak to a greater utilization of the channel by Sonoma wineries as the DtC channel continues to expand and increase in importance.

Trends in the first nine months of this year position the channel for a strong holiday season. The trend for the latest 12 months, coupled with wineries motivated to move a large supply of product, promises to boost shipments to a new record.



As fulfillment, compliance and shipping services have improved wineries have been able to ship more wine to consumers who are also more willing to buy online. Shipment data is the amount of wine shipped to consumers in key wine consuming states.


Growth of DtC Shipment Volume to Texas
Source: Wines Vines Analytics/ShipCompliant model
9L cases thousands
600
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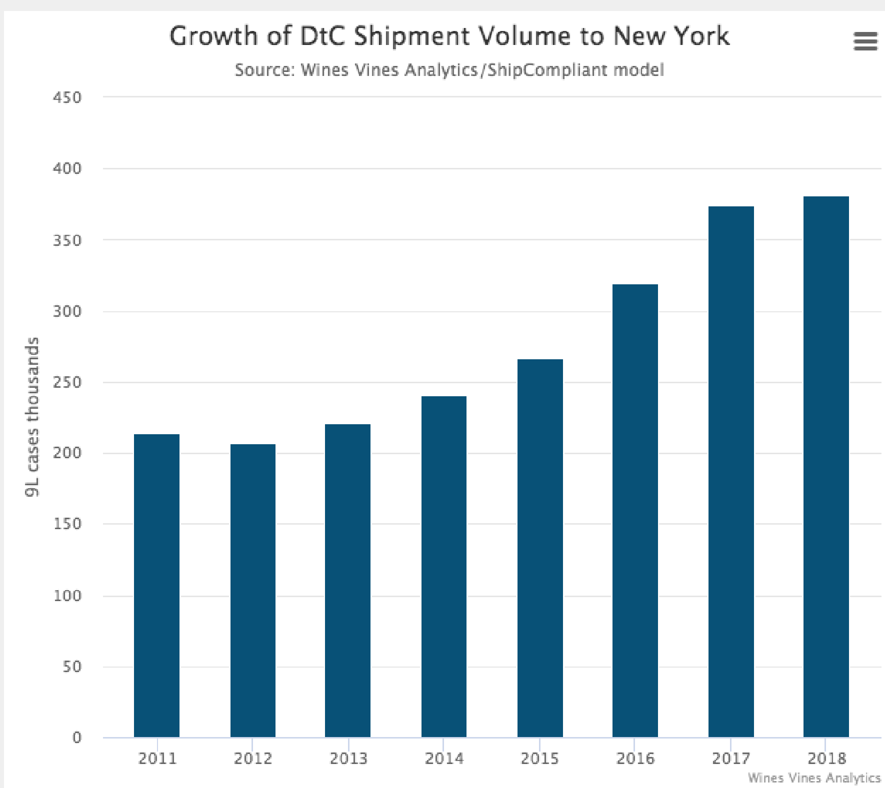
Growth of DtC Shipment Volume to New York
Source: Wines Vines Analytics/ShipCompliant model
9L cases thousands
450
400
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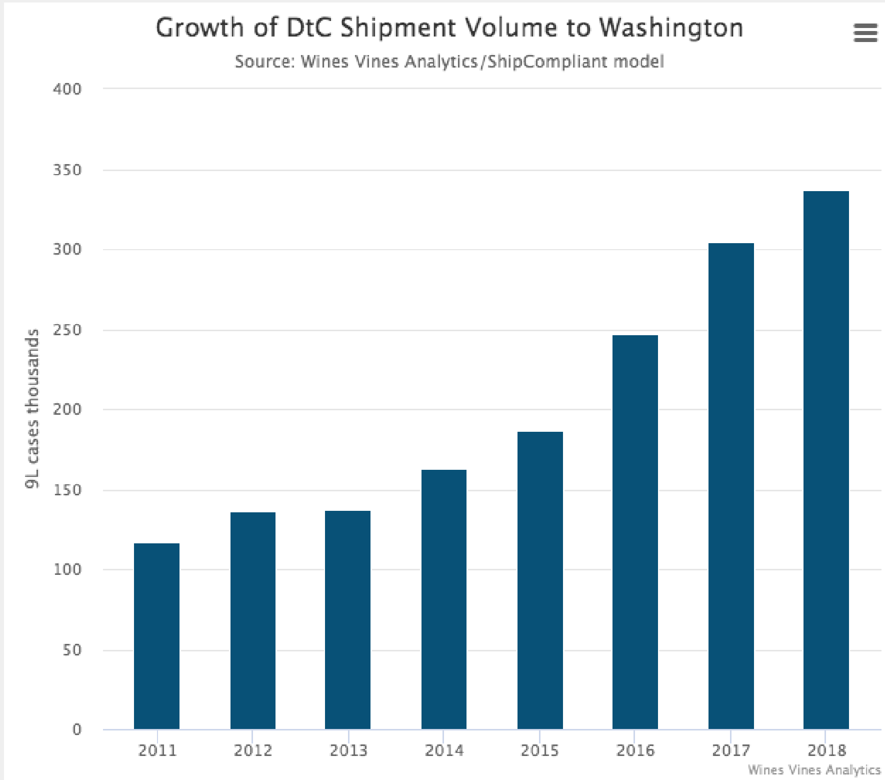
Growth of DtC Shipment Volume to Washington
Source: Wines Vines Analytics/ShipCompliant model
9L cases thousands
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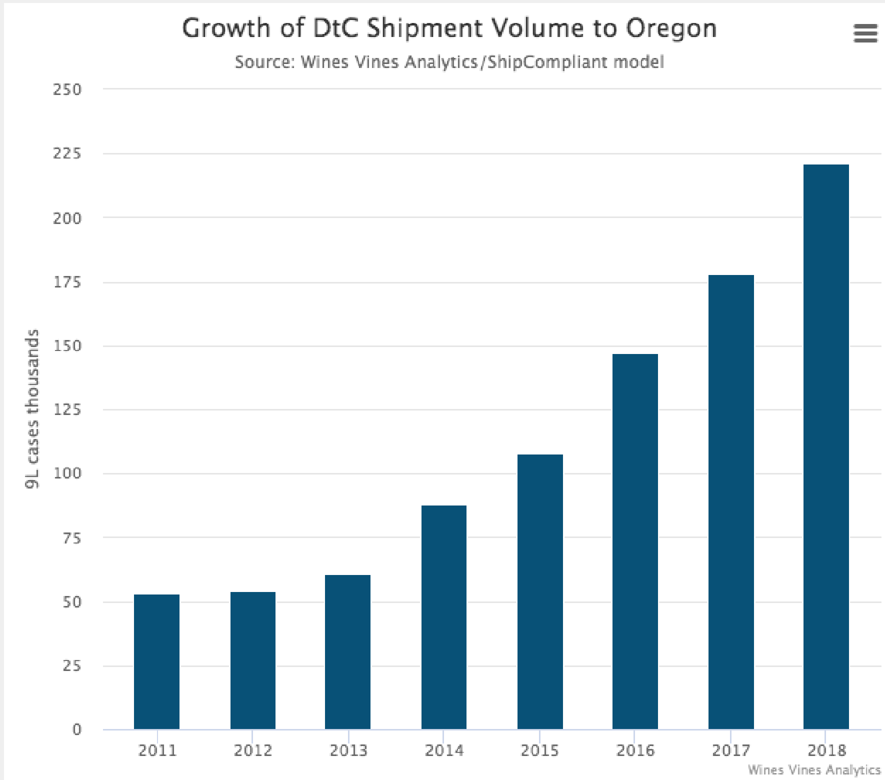


Consumers are also embracing the channel, as DtC's share of off-premise sales indicates.

The U.S. experience parallels that of Australia. A survey Wine Australia conducted of its members this summer indicates that DtC shipments account for 17% of total domestic wine sales or about $672 million (approximately $1 billion Australian). DtC shipments represent 40% of activity, or about 7% of industry sales. Club shipments and online orders increased approximately 10% over the past year, while tasting room traffic held the course. The biggest growth was seen in winery events, where revenues increased 24%.

While figures on direct-to-consumer shipments from wineries in Europe aren't readily available, a report earlier this year by Rabobank indicates that European Union consumers make "around 4%" of off-premise wine purchases online. UK consumers lead the pack, with online orders accounting for more than 10% of off-premise wine sales in that market.

Clearly, hurdles exist if consumers are going to receive more wine direct from wineries, not to mention order it from retailers for delivery.

New York-based market research firm eMarketer.com estimates that online food and beverage sales could grow to more than $38 billion by 2023, up from $19 billion today. This would give online food and beverage purchases a 3.5% share of total grocery sales, up from

2% today. But a big concern for many marketers is how to reach cash-strapped millennials and those born after them.

The generation reaching legal drinking age since 2000 grew up with personal computers, and those born since the turn of the century (often referred to as “Gen Z”) are widely considered to be digital natives.

But a recent study by online beverage retailer Drizly found that “digitally-native Gen Z purchases alcohol from local liquor stores more often than their millennial, Gen X and baby boomer counterparts.” Millennials, by contrast, have been the most enthusiastic at embracing online food and beverage shopping, accounting for 47% of online grocery shoppers. This may be because they’re more comfortable with the technology as well as short of time (convenience is a big reason for online purchasing), coupled with the fact that Gen Z is still formulating its tastes, primarily through the experiences that have been a key trend that tasting rooms have sought to embrace.

— Peter Mitham

How Data Is Boosting Online Wine Sales

> A small portion of DtC wine shipments originate online.
>
> Personalization, choice and robust visuals can approximate the in-store experience.
>
> Data can personalize the options available to shoppers.
>
> Shipping options can deliver wine where consumers want it.

While direct-to-consumer (DtC) shipments continue to rise, with a value of more than $3 billion in 2018 and gaining a further 9% in the 12 months ended in August, the share of e-commerce wine sales could also increase.

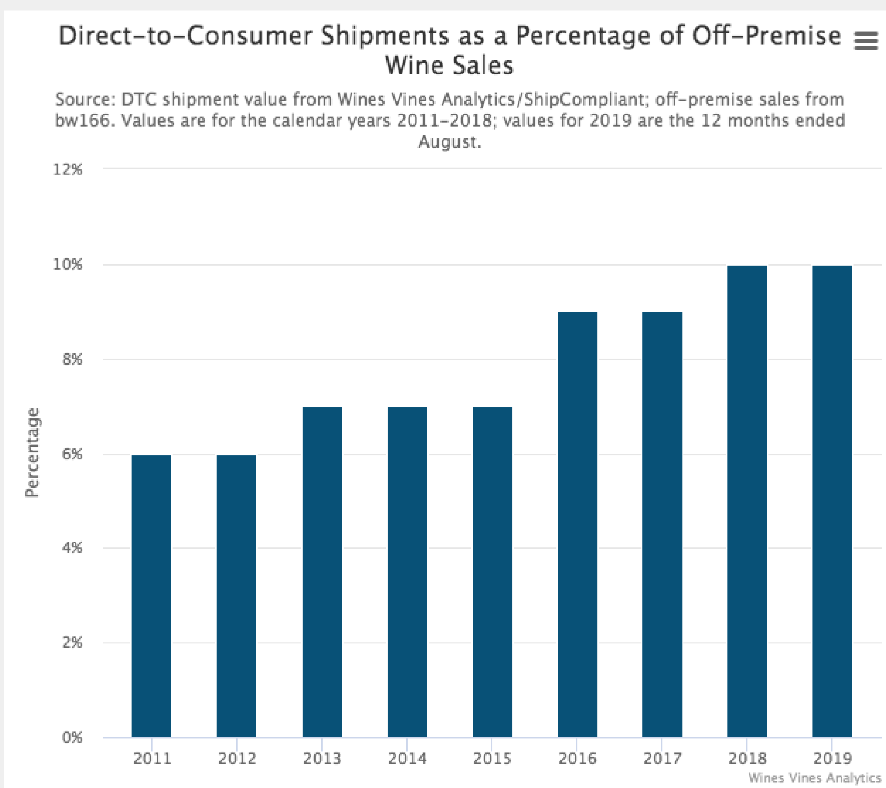
According to fulfillment, e-commerce and point-of-sale firm WineDirect, e-commerce accounts for just 10% of all DtC shipments. The majority originate through traditional club memberships, on-site orders and even phone calls.

A proactive approach to digital marketing can change that, however. Something as simple as developing a solid prospect list from tasting room visits and following up with e-mail offers and ease of purchasing can make a difference.

Andrew Kamphuis, president of Vancouver, British Columbia-based software developer Commerce7 and former president of WineDirect, said the 150 wineries he works with are seeing e-commerce generating close to 27% of DtC shipments.

Commerce7 is a processing platform that handles tasting room, wine club and e-commerce orders. The company is in only its first year of operation, but the above-average rate of online transactions of the more than $10 million worth of sales it handles each month reflects a progressive attitude among its clients, said Kamphuis, who previously launched Vin65, among other ventures.

“Our e-commerce is high because our clients are more progressive than the average winery,” he said. “Way more progressive in capturing names in the tasting room, e-mail marketing and pushing those sales.”



Commerce7's review of this summer's transactions underscored the importance of personalization, user choice and a highly visual interface that lets users see their choices rather than one that is primarily text-based.

While countless industry workshops and seminar presentations underscore the importance of securing the contact information of visitors before they leave the tasting room, cultivating those relationships and converting contacts to customers can be a challenge. Although wineries offer a focused selection, consumers tend to be more promiscuous, wanting not just one winery's products but stacking them up against alternatives. This means any one sale, unless the customer is extremely loyal, can be a moving target.

Research into online grocery-shopping habits indicates the challenges facing wineries. Some sites simply aren't optimized or welcoming to online ordering, and on those that are, identifying and finding products can be challenging. While most consumers are familiar with the layout of physical retail locations, online shopping presents them with a more focused environment that doesn't let them make lateral, let alone random, comparisons.

"Walking the aisles allows customers to easily and intuitively browse, seek inspiration, educate themselves, compare product attributes and make price trade-offs in ways that are difficult for algorithms to replicate today," was one of the findings of a study of online grocery shopping released earlier this year by management and consulting firm Bain & Co. and Google. "Shoppers instinctively know that lower-priced options typically sit near the bottom of shelves. Discount tags are easy to spot, and shoppers understand that private-label offerings next to name brands are often directly comparable products offered at lower prices. Online grocery shopping has not yet found a way to digitally replicate these cues simply and intuitively."

Similar challenges face wine retailers.

"There remain a lot of barriers to e-commerce and wine," Camille Guimaraes, marketing manager with Gundlach Bundschu Winery in Sonoma, Calif., told participants at the Wine Industry Technology Symposium in Napa, Calif., on Oct. 1. She singled out the personal touch, shipping and other factors.

One of the keys to making the shopping experience more intuitive is tailoring what shoppers see to what they want. By leveraging data on product sales trends as well as individual shopping history, wineries can determine what specific consumers see when they visit a site, optimizing the interface with a view to recommending new discoveries and future purchases.

This is behind the recent decision of Ste. Michelle Wine Estates to consolidate several of its sales tools, from the tasting room to call centers, on one platform, Microsoft Dynamics 365 Commerce.

“Since it’s across channels, it will look at things like, when people walk into the wine shop and they buy wine, they often buy this other wine with it,” explained Eric Johnson, Ste. Michelle’s director of consumer engagement technology. “When you order one of those wines on the website, it’ll say, ‘Hey, people really seem to like this other wine to go with that.’”

Ste. Michelle had been using Microsoft RMS as its point-of-sale system, but the software was no longer being serviced, and Microsoft was preparing to relaunch its retail software (Microsoft Dynamics 365 Retail) as an integrated e-commerce platform. Ste. Michelle was the first company to deploy 365 Retail, launching it Oct. 1**.** “Consumers won’t see a lot of difference,” Johnson said, but “I think we’ll be able to guide the consumer into some choices that they’re going to like better.”

Where consumers receive each order can be adjusted, too, for a more responsive experience. “We’re going to help consumers pick a wine that’s going to work for them and get it in their hands when and where they want it, how they want it,” Johnson said.

Col Solare winery in Benton City, Wash., which is part of the Ste. Michelle portfolio of wineries, was among the first brands to go live on the platform, with full rollout across all brands expected for late October.

The system should bring the experience of buying wine closer to what consumers experience when shopping on Amazon, as well as boost sales. Johnson noted that Microsoft saw a 5% increase in digital game sales when it began making recommendations to players.

“I think we’re going to see higher than that in wine, because people who want to buy a video game know what they want,” Johnson said. “Wine is an intimidating category. That’s why there’s a whole industry of sommeliers, right? … So if we can give a little bit of that digitally, that will help people feel better about their choices.”

Jeff Carroll was one of the architects of ShipCompliant and is now the vice president of product and marketing at Compli. He said the easy days of DtC sales are done and wineries will need to improve their e-commerce strategy.

“From a macro perspective, wineries are facing some unique challenges that all point to the importance of e-commerce evolution,” he said. “For well over 10 years following the Granholm decision of 2005, new states (and therefore new customers) consistently opened up to DTC shipments. However, with current winery DTC access to over 94% of U.S. consumers, that ‘free’ growth has come to an end.”

He said when one also considers the “extreme” consolidation of wholesalers, possible competition from wine retailers following the 2019 Tennessee Wine & Spirits Retailer Association judgement from the Supreme Court and ever-shifting consumer demographics and preferences; “It’s easy to conclude that wineries will need to raise their e-commerce game."

— *Peter Mitham*

Seeking A Path to Better Margins

Napa, Calif. — The opening panel of the Wine Industry Financial Symposium on Oct. 1 didn't waste time in tackling some of the key issues on the industry's mind.

The discussion by four wine industry executives immediately addressed a question that's been top-of-mind for the past two years at the Unified Wine & Grape Symposium: how to boost margins in an environment where production costs are high, volumes sold are shrinking and consumers are more willing to pay a premium for new discoveries than for their existing favorites.

Coming on the heels of the Wine Industry Technology Symposium, panelists said data was key. Both the financial and tech symposia were organized and hosted by *Wine Business Monthly* at the Culinary Institute of America campus at the Copia center in downtown Napa.

"As our growth continues to slow, we need to have enough data," said Jim Collins, chief financial officer of JaM Cellars in Napa, Calif. "From a financial-planning perspective, what you're really looking for is the drivers of your business."

Collins said the problem with millennials isn't that they're not drinking, it's that they're finding out what they want to drink. This is where daily depletion reports from VIP (Vermont Information Processing Inc.) are critical, helping JaM know which product is moving.

Good information should enable the financial team to quarterback the rest of the winery's staff; as Shandra Knego, CFO and senior vice president of Sonoma, Calif.'s Gundlach Bundschu Winery says, finance will set budgets and targets and let each team figure out how to achieve them. Realistic targets are assisted not by data that tells her where they've been but by predictive analysis that points to where they're going.

"You really want to get to the point where you're providing foresight," she said. While many wineries start out with Excel, which she considers an excellent "first-level tool," the next step needs to incorporate other indexes that help guide the analysis of in-house data to ensure it's competitive with the rest of the sector.

Confidence game

However, the current outlook for the sector is challenging. Costs are rising, not only on basic production but for insurance and labor. Wine industry executives said paying for good labor is a corner most aren't willing to cut. Keeping the wine moving to cover the cost is a greater concern.

Aspect Consumer Partners director Ian Malone pointed to declines in shipment data from Gomberg, Fredrikson & Associates. Sales values are rising, but it's happening on the back of volume declines.

Malone's concerns were shared by Art Jeannet, CFO and executive vice president of Wente Family Estates in Livermore, Calif., who said frankly: "I am worried about the economy. … The bond market is telling us to be worried."

However, the financial keynote delivered the following afternoon by Mike Vitner, managing director and senior economist with Wells Fargo Securities LLC, was optimistic. Household incomes have grown nearly 7% over the past year, he said, and the current expansion phase stands as the longest, most gradual of the postwar era. Housing prices continue to increase, supporting relatively robust consumer confidence.

Vitner said it's tough to see a recession occurring under such conditions; the greatest risk is a policy misstep by government that undermines business or consumer confidence.

Off-premise opportunities

U.S. consumers spend $45 billion on wine in the off-premise segment each year and much of that spending still occurs in traditional grocery stores.

Phil Markert, director of beverage alcohol for one of America's largest grocery chains, 342-store AVP, which includes the Albertsons, Vons and Pavilions chains, is quite confident in boosting the company's total beverage alcohol business to more than $1 billion. He said key to that are innovative products such as hard seltzers, spirits and the flagship brands of premium wine.

Spirits, however, "are on fire" and Markert fully expects liquor's strong sales to be a sustainable trend. "You can see spirits is really dominating," he said. "I think spirits will lead the growth in the U.S. for the next 10 years."

Whisky and tequila are sales leaders, but ready-to-drink cocktails appear to be benefiting from the overall growth in canned beverages.

While Markert is still enthusiastic about wine, (he's still a firm believer in winemaker dinners, for example, as a recent one in Southern California sold $20,000 worth of Caymus and another moved $18,000 worth of Justin Vineyards & Winery wine) his excitement is primarily due to sales at stores in markets where one would expect it to perform well. AVP's locations in such markets can feature extensive wine display racks and even tasting bars where winery staff pour samples and tell the stories of their brands.

Top-flight Napa Valley wines and Bordeaux do very well at such stores, one of which recently sold $21,000 of French first-growth to a single shopper. In these stores, where higher priced wines sell well, Markert is planning to roll out SKUs organized by appellation rather than varietal, stock shelves with local product (a Paso Robles, Calif., location has 82 feet of shelf space for more than 300 Paso wine SKUs) and one can see the dominant trends such as the rosé boom. “In our best stores, our upscale stores, most (wine) educated stores, rosé is about to pass Pinot Noir, believe it or not,” he said.

Big picture, though? Wine is not as strong and still table wine is losing shelf space. Markert said wine accounts for about 50% of total beverage alcohol sales but volume is flat as sales are decelerating or declining. It’s also very unclear if young consumers opting for the very popular seltzer White Claw today will be reaching for a glass of wine tomorrow.

Markert said White Claw’s success could be “the awakening of the millennials and Generation Z” but if they’re awake there’s no guarantee they’ll be making the progression from wine coolers to cooled Chardonnay as their parents did.

In the meantime, Markert said he’s urging his stores to get out of the old mindset of “wine, beer and spirits” and instead embrace occasion, localization and engaging with customers. An example: Organize single-serve products — be they beer, wine, cocktails, cider or seltzer — into single display sets that have proved to be very successful.

Done deals prove scarce

Sales success with consumers is also critical to a successful winery sale, as the mergers-and-acquisitions panel discussed.

“People who can sell wine right now have power in the marketplace,” said Erik McLaughlin, CEO of Seattle-based firm Metis, which has advised on several high-profile deals, most recently the sale of Owen Roe to Vintage Wine Estates. Based in Newberg, Ore., Owen Roe produces wines from both Oregon and Washington and makes 60,000 cases a year, according to the Wines Vines Analytics’ winery database.

Notwithstanding strong interest in A-plus opportunities, weaker targets will face challenges. With plenty of money looking for opportunities, and plenty of vintners who would consider selling, McLaughlin said the real shortage in the market is done deals. “It’s a game of musical chairs,” he said of the marketplace. “Are we going to be picking more chairs here soon?”

President Tom Steffanci of Connecticut-based Deutsch Family Wine & Spirits said some deals won’t get done if the existing ownership won’t stay on, because there’s a need to maintain the authenticity. Some portfolios that are attractive may be compromised by weaker brands. (“The way you sell a portfolio of wine is you drag the dogs and cats along,” he quipped.) Still other deals will get stuck on the challenges facing vintners selling wine to consumers. “Wine is hard,” Steffanci said.

But wineries shouldn’t make it harder than it needs to be. McLaughlin pointed out that times are still pretty good, and wineries looking to sell need to pay attention to basic business fundamentals. “We’re talking about lack of continued growth. We’re not talking about an industry that’s falling apart,” he said. “Core business fundamentals are what people need to focus on.”

Providing a business that’s ready to take on the next market wave is important, said Andrew Milanez, vice president with Zepponi & Co. in Santa Rosa, Calif. While he expects a pause rather than an outright recession, he said winery buyers are looking for something they can scale. “Scaleability is important,” he said. “Can they scale it profitably?”

Both Steffanci and McLaughlin said brands and wineries that aren’t thriving may be worth shutting down.

“If you’ve got 30 SKUs and only two of them are working, you shouldn’t have 30 SKUs,” said Steffanci, echoing an earlier comment by McLaughlin regarding wind-downs as a viable exit strategy.

“People refuse to do them. They’ll keep putting good money after bad,” McLaughlin said. “People don’t realize the individual portions of a business — the equipment, the buildings and the land — might be worth more individually than the operation is as a going concern. “Sometimes a wind-down is the most remunerative. … The pieces are sometimes worth more than the whole.”

— Andrew Adams and Peter Mitham

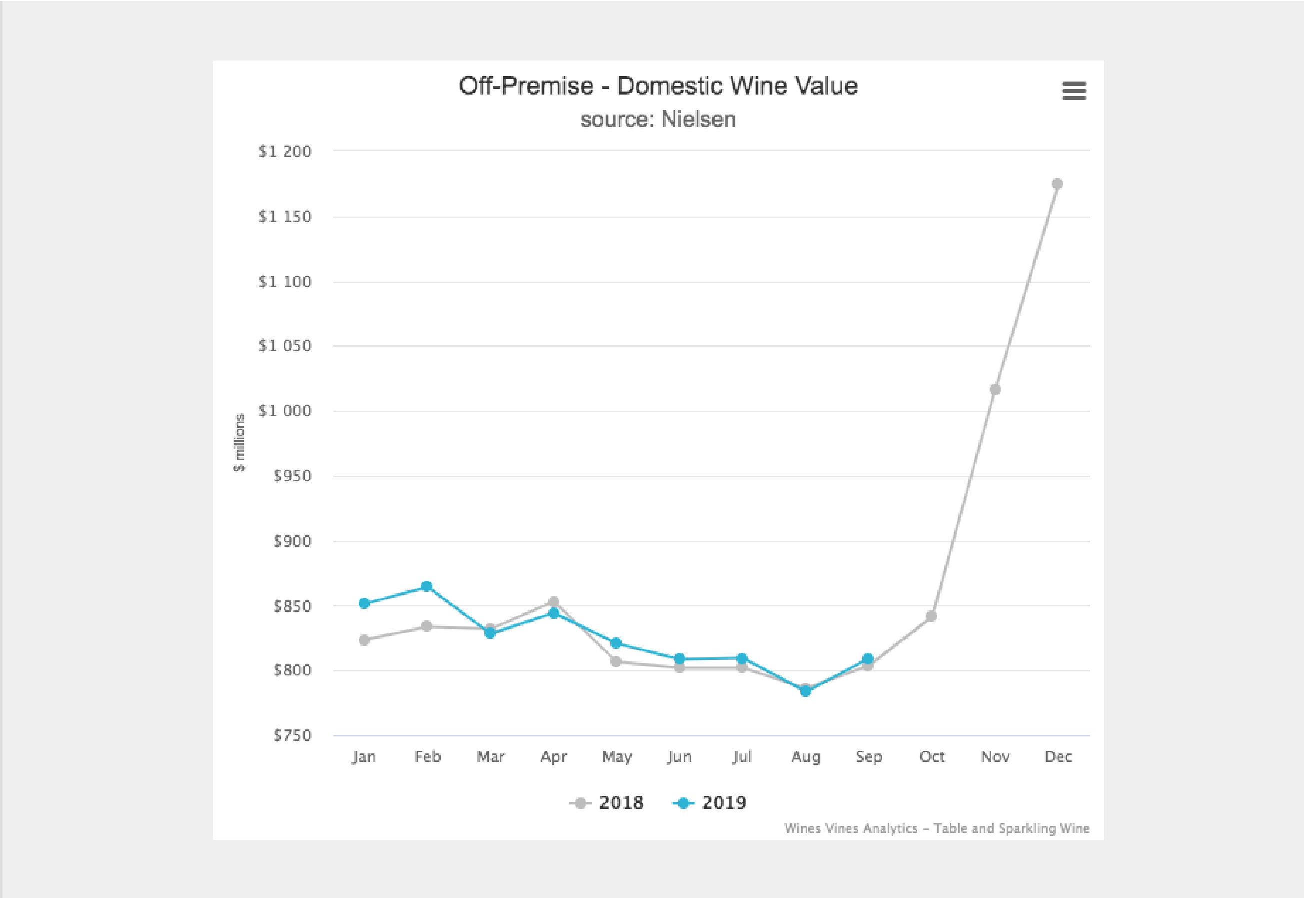
Wine Industry Metrics: September Sales Up

U.S. wine sales increased 4% to more than $48 billion in the 12 months ended September, according to market research firm bw166. Nielsen off-premise data indicated a scant 1% increase in domestic wine sales to $810 million in the four weeks ended Sept. 7. On-premise sales in the 52 weeks ended Aug. 10 rose more than 1% to $17.9 billion. Winejobs.com’s Winery Job Index increased in September, rising 7% versus last year to 234, thanks to demand for vineyard, direct-to-consumer (including tasting room and retail) and sales and marketing positions.

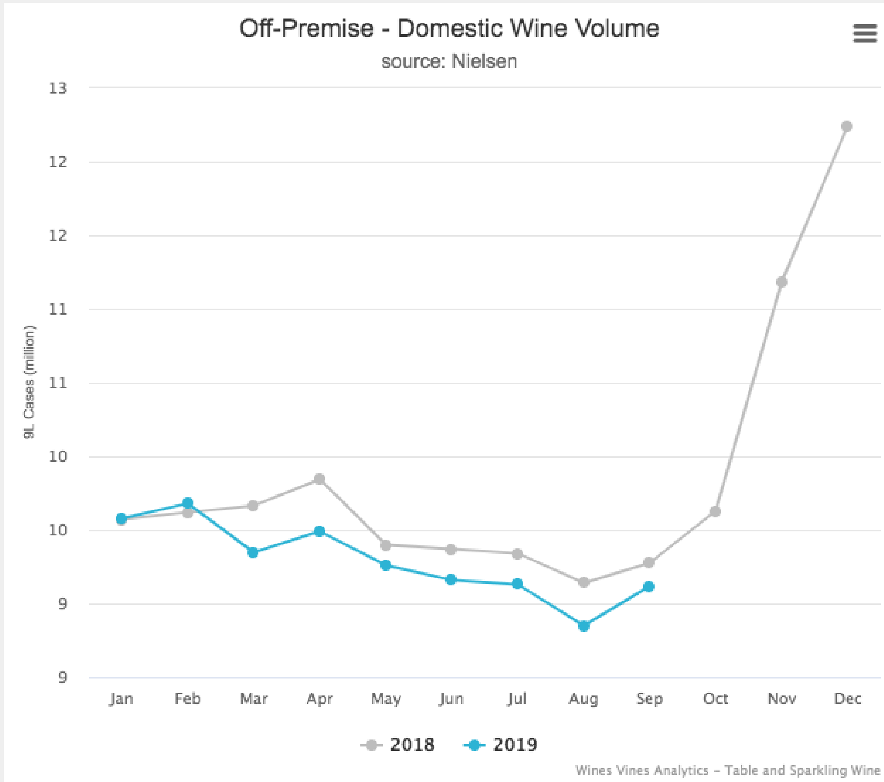
Domestic wine sales, including bulk imports, rose 4% to nearly $48.4 billion in the 12 months ended September. Sales in September alone came to $3.98 billion.
Sales of wine in the U.S. totaled more than $72 billion in the latest 12 months, up nearly 4% from a year earlier.
Domestic wine sales, including bulk imports, rose 4% to $48.4 billion in the 12 months ended September, market research firm bw166 reported. Bulk imports continued to drop as a component of sales, and sparkling wine sales increased less than 1%, meaning table wine sales drove the growth with a gain of nearly 6%. Underscoring the strength of table wines is the fact the increase works out to an additional $2.3 billion in sales. This is greater than the value of sparkling wines sold ($2.1 billion) or bulk imports ($1.5 billion).

All segments except sparkling wine saw case volumes decline in the period. However, growth in sales value for sparkling wines outpaced case volume gains, pointing to the ongoing upward shift in the price of bottles sold across the board.

The value of the total wine market in the U.S. rose nearly 4% to more than $72 billion in the latest 12 months. The growth reflected the dominant position of domestic wines in the market, which sell more than double the value of packaged imports. Sales of packaged imports totaled $24 billion in the period, 3% more than a year ago.

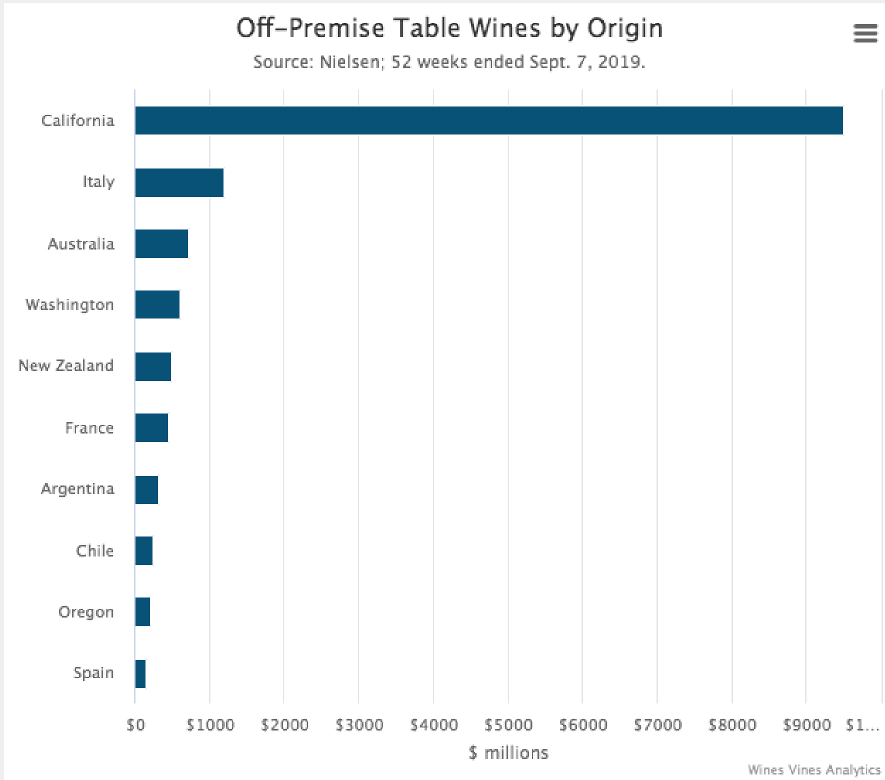


Off-premise sales of domestic table and sparkling wine totaled more than $810 million in the four weeks ended Sept. 7, up nearly 1% versus a year ago.



Off-premise case volumes totaled 9.1 million in the four weeks ended Sept. 7, down more than 1% from a year ago.
Sales of domestic table and sparkling wines through the off-premise outlets Nielsen tracks were up a scant 1% versus last year in the four weeks ended Sept. 7, totaling nearly $810 million. Case volumes for the period fell nearly 2% versus a year earlier to 9.1 million. Sparkling wines bubbled up in the period, gaining more than 4% in value and nearly 2% in volume. Sales of table wines increased less than 1%, while volumes dropped nearly 2%.

Sales in the 52 weeks ended Sept. 7 increased more than 1% to $11.3 billion versus a year earlier, while volumes in the period declined more than 1% to 126 million cases. The volume decline was due entirely to table wines, which fell nearly 2% while sparkling wines increased by less than 1%.



California, Italy and Australia supply nearly 80% of tables wines sold through off-premise outlets in the 52 weeks ended Sept. 7.

Domestic table wines remained a driving force relative to imports, however. While the value of table wines sold increased overall, domestic product – which accounts for 74% of table wines overall – increased more than 1% in the 52 weeks ended Sept. 7. This was more than double the rate of growth among imports. California was by far the leading source of wines sold through off-premise outlets Nielsen tracked, with sales of $9.5 billion, followed by Italy at $1.2 billion and Australia with $721 million. Growth among the top three regions was mixed, with California up more than 1%, Italy rising nearly 2% and Australia slipping nearly 1%.

OFF-PREMISE TABLE WINES BY ORIGIN

	52-week sales	Sales Change	Market Share	Price per 750 ml
Domestic	$10,565,935,959	1.3%	74%	$7.33
Imported	$3,766,695,301	0.5%	26%	$7.92

Source: Nielsen; 52 weeks ended Sept. 7, 2019.

Oregon posted the strongest growth among the top 10 regions, with sales rising more than 13% to $208 million. While the strong growth came off a relatively small base – the state claimed just over 1% of off-premise table wine sales in the latest 52 weeks – the gain in absolute dollar terms worked out to nearly $25 million – more than any other region broken out by Nielsen save for California and New Zealand, which rose 8%, a gain of more than $38 million.

California's dominance was evident in the Top 25 brands for the period, claiming four of the five top-sellers led by Barefoot, Woodbridge, Franzia and Sutter Home. Meiomi joined the list in 25th place. The fastest-growing off-premise brands (by dollar value) included Josh, Bota Box and Stella Rosa, but New Zealand's Kim Crawford ranked eighth. Barefoot joined the fastest-growing list in ninth place.

Brand names in bold joined the top brands list since Wine Analytics Report last published these in the June edition based on 52 weeks of data ended April 20, 2019.

On-premise wine sales in the 52 weeks ended Aug. 10 increased more than 1% to $17.9 billion, according to Nielsen CGA. Sales of imports increased at more than twice the rate of domestic wines, rising more than 2% versus a domestic growth rate of less than 1%. Sparkling wines and rosé continue to enjoy the strongest growth, at 9% and 4%,

TOP OFF-PREMISE BRANDS

Ranked by sales growth

1	Josh
2	Bota Box
3	Stella Rosa
4	La Marca
5	19 Crimes
6	Black Box
7	Capriccio

respectively, but claim just 16% of total sales.

7	Capriccio
8	Kim Crawford
9	**Barefoot**
10	Decoy
11	Meiomi
12	Bread & Butter
13	Robert Mondavi
14	JaM Cellars
15	Franzia
16	Ruffino
17	Roscato
18	The Original Darkhorse
19	**Tropic Chillerz (wine-based RTD cocktail)**
20	Chateau Ste. Michelle
21	Prophecy
22	**Veuve Clicquot**
23	**Yes Way Rose**
24	Matua
25	Rancho La Gloria

Nielsen off-premise channels, 52 weeks ended Sept. 7, 2019.
Year-to-year sales growth from same period in 2018.

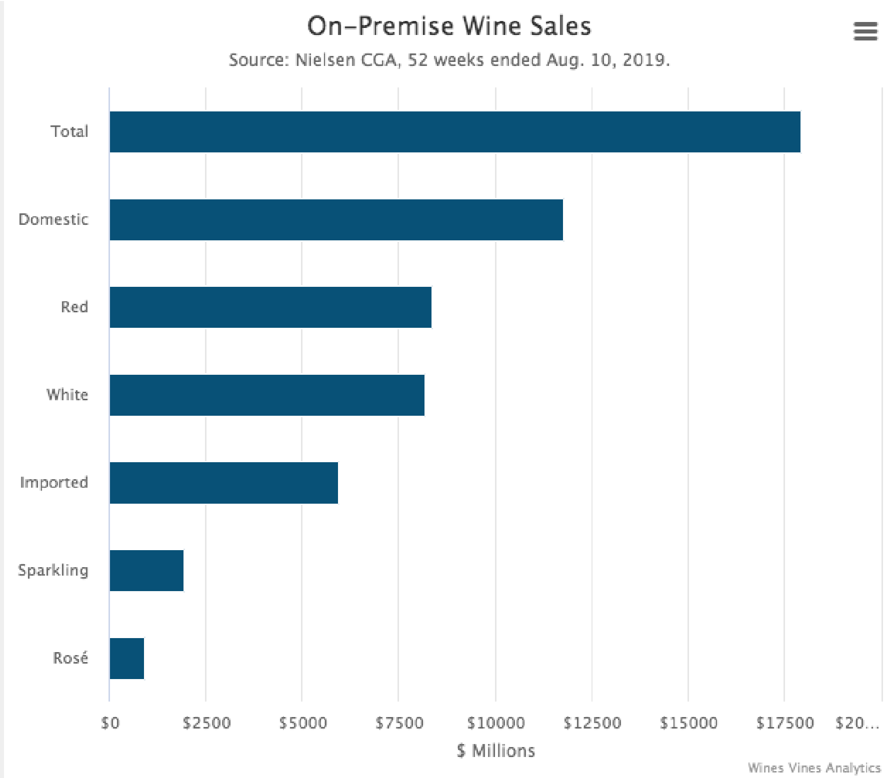
TOP OFF-PREMISE BRANDS

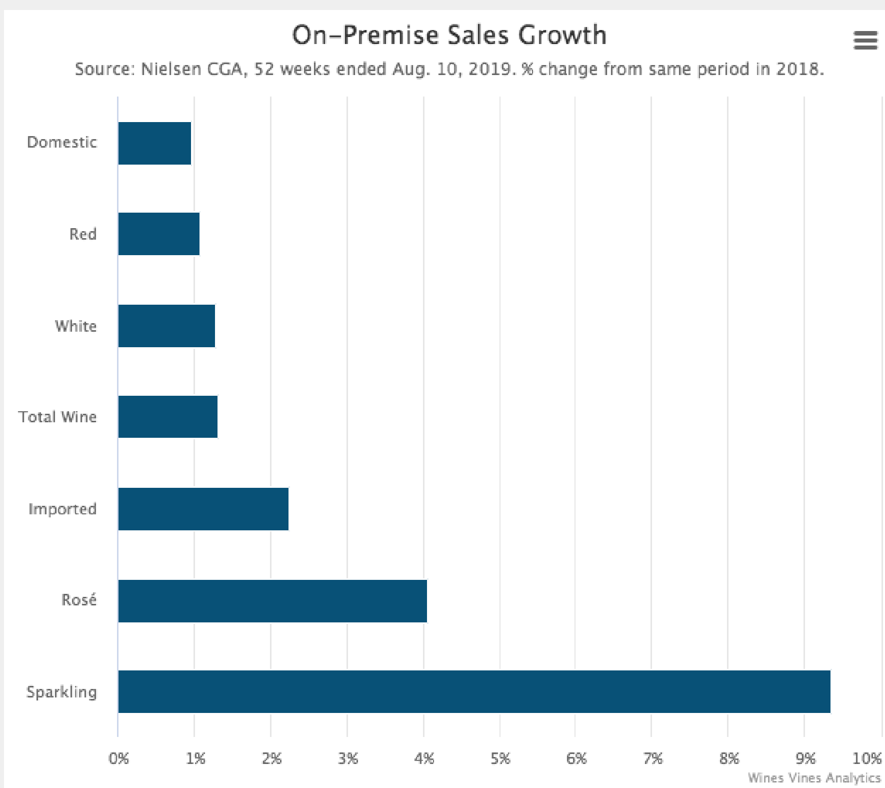
Ranked by total sales

1	Barefoot
2	Woodbridge
3	Franzia

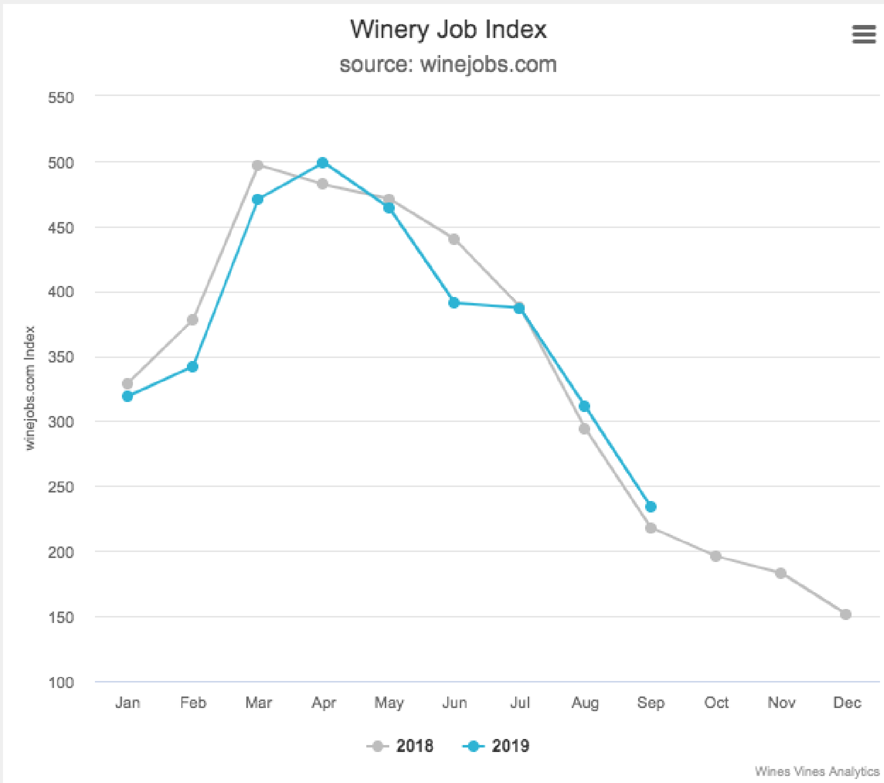
4	Sutter Home
5	Yellow Tail
6	Black Box
7	Kendall-Jackson
8	Josh
9	Bota
10	Apothic
11	Chateau Ste. Michelle
12	Cupcake Vineyards
13	Menage A Trois
14	Beringer
15	Stella Rosa
16	Robert Mondavi
17	La Marca
18	Carlo Rossi
19	Liberty Creek
20	Bogle
21	Korbel
22	La Crema
23	Gallo Family Vineyards
24	Francis Coppola
25	**Meiomi**

Nielsen off-premise channels, 52 weeks ended Sept. 7, 2019.


On-Premise Wine Sales
Source: Nielsen CGA, 52 weeks ended Aug. 10, 2019.
Total
Domestic
Red
White
Imported
Sparkling
Rosé
$0
$2500
$5000
$7500
$10000
$12500
$15000
$17500
$20...
$ Millions
Wines Vines Analytics


On-Premise Sales Growth
Source: Nielsen CGA, 52 weeks ended Aug. 10, 2019. % change from same period in 2018.
Domestic
Red
White
Total Wine
Imported
Rosé
Sparkling
0%
1%
2%
3%
4%
5%
6%
7%
8%
9%
10%
Wines Vines Analytics

Winejobs.com's Winery Job Index increased 7% in September from a year ago to 234, thanks to demand for vineyard, direct-to-consumer and sales and marketing positions. Demand for vineyard help doubled versus a year ago, while listings for direct-to-consumer positions, including tasting room and retail staff, rose 35%. Sales and marketing positions were also in demand, with the index rising 17%.



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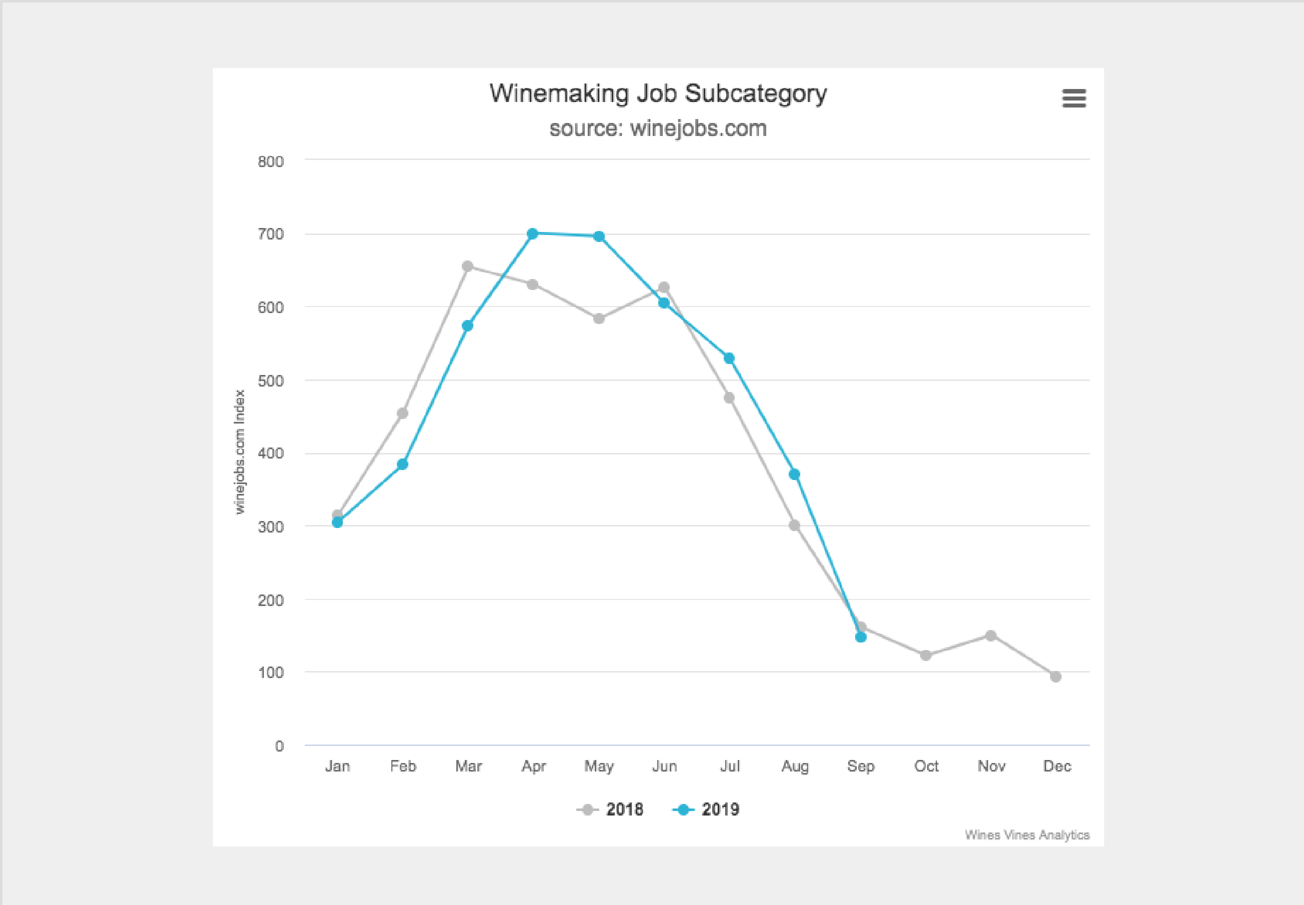
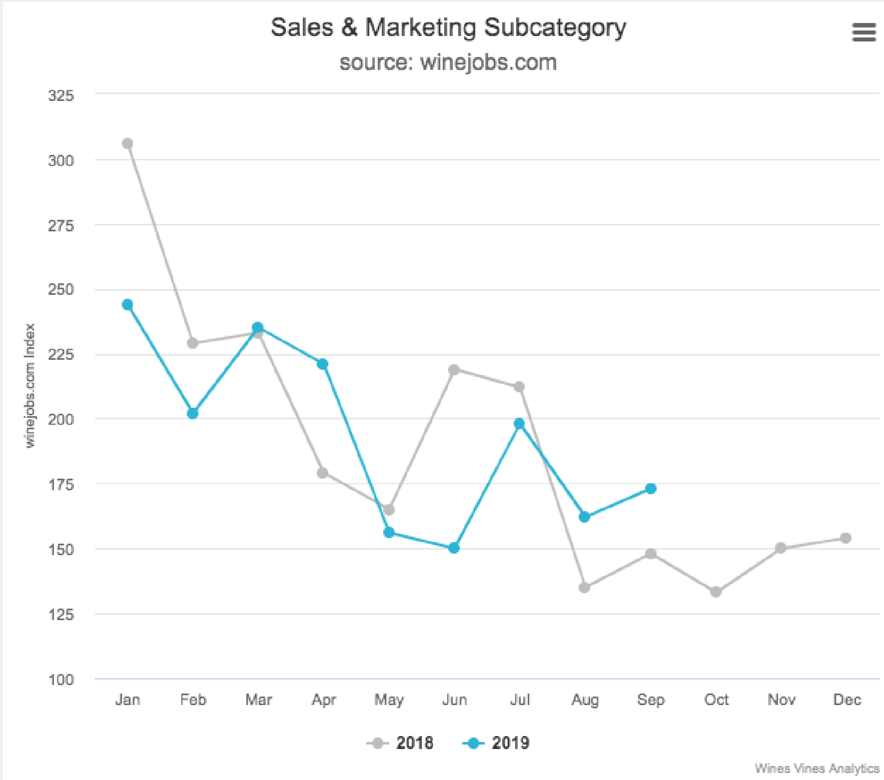
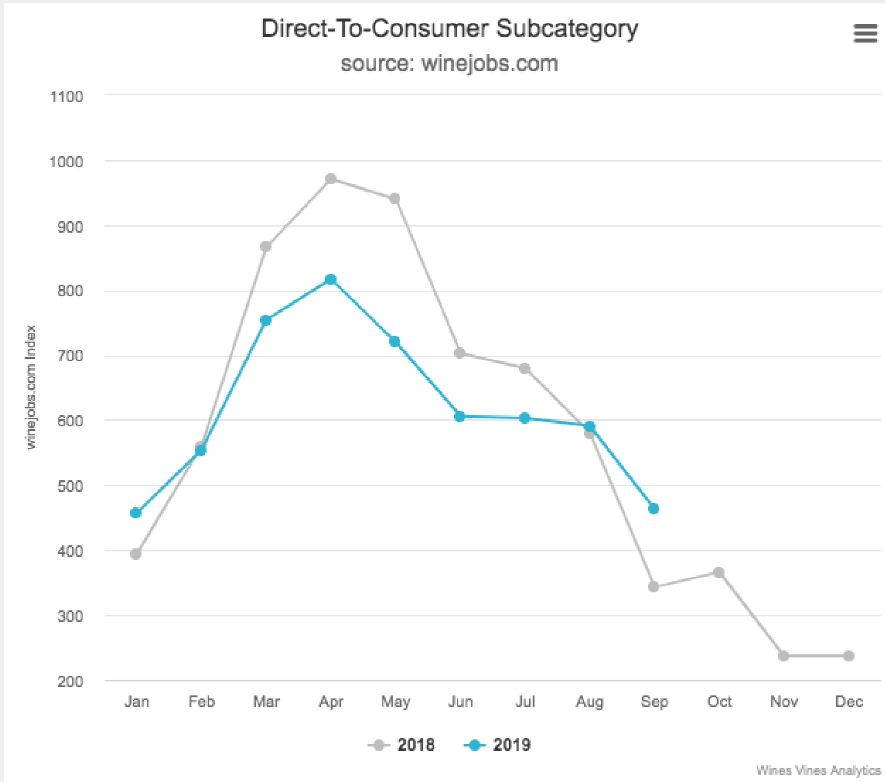


Demand for winemaking and production staff in September was 8% less than a year ago, for an index reading of 148.



Demand for sales and marketing positions rose 17% in September versus a year ago, with the index sitting at 173.



The subindex for direct-to-consumer positions, including tasting room and retail staff, increased 35% in September to 463.

Rounding out the top three subcategories, winemaking and production positions saw demand fall 8% from a year ago. However, demand for people to fill these roles remains 3% above a year ago. While the most recent U.S. Department of Labor statistics indicate a tightening job market, the Winery Job Index points to a stable hiring environment. Department of Labor data indicate that wineries and vineyards employ approximately 90,000 people nationwide, led by California.

Delicato CEO Welcomes a New Demographic

Chris Indelicato has been president and CEO of Delicato Family Wines (DFW) since 2004 and leads the third-generation management team at the family-owned vineyard and winery operation that Wines Vines Analytics ranks as the sixth-largest U.S. winery in volume. Indelicato earned a bachelor of science degree from the University of Southern California, became a certified public accountant and worked in the financial field before returning to the family business.

Besides overseeing the winery's strategic direction, company culture and commitment to sustainability, he has stepped up to volunteer roles in the wine industry as president of the Winegrowers of Napa County and recently finished a term as chairman of the California Wine Institute.

Delicato's CEO, Chris Indelicato, remains bullish on box wine sales and doesn't see cans as a threat to that business.

Q: Let's start with an item from the news. What effect do you expect that new tariffs on European wine imports would have on the domestic wine business?

Chris Indelicato: At some point you expect retaliatory tariffs on U.S. exports. It will probably have an impact on volume much like we've seen in China. You also have to remember that the amount of wine imported into the U.S. greatly exceeds what's exported. So figuring out how that dynamic plays out will take some time.

Q: The Wine Institute has stated clearly that it opposes new tariffs on European wine because it's worked so hard to reduce trade barriers over decades and presumably fears a backlash.

Indelicato: Yes, I agree with that, and that was drafted while I was chairman of the Wine Institute in response to the Chinese situation as well. We don't want any additional retaliatory tariffs. I think what we all hope for is for both governments to work out a solution that benefits the consumer.

DELICATO FAMILY WINES
Napa, Calif.
Founded: 1924
Annual case production: 13 million
Average bottle price: $8
Vineyard acreage: 4,000
www.delicato.com

Q: Can you paint the big picture of Delicato Family Wines? What's your mission?

Indelicato: We want to be a family-owned winery with a portfolio of powerful brands. And what that means is we want to be responsive to the consumer and our distributor and retailer partners and be a complete supplier for them.

Q: So that means complete from inexpensive to luxury wines?

Indelicato: Exactly. As well as imports and alternative packaging.

Q: Regarding the luxury end of your business, what's behind the recent announcement that Dan and Katy Leese, who founded V2 Wines, are no longer associated with DFW? Have you completed the acquisition of their business?

Indelicato: We're working through completing the transaction here. And unfortunately we can't talk about any of that because we have a nondisclosure, but Dan left on great terms, and I'm glad he got a really nice job working with Tony Foglio (of spirits company Hotaling & Co.). We're continuing to wrap up the V2 business and work that into our Transcendent Wines division, which has about 25 people in it.

We're focusing on selling wines in that division over $20. And that's allowing us to attract some high-quality family-owned wineries from around the world as well as focus on our Black Stallion limited-release wines.

We're also working hard on our $25 Diora Pinot Noir/Chardonnay brand. We've had it mostly on-premise. And now after it's gotten some traction and some consumer pull, we're going to launch that nationally in all channels. That's on the heels of purchasing a 250-acre vineyard down in the Santa Lucia Highlands in Monterey, which will supply Diora along with San Bernabe Vineyard. Transcendent gives us a platform to grow brands not only that we own, but also provide a real good selling platform for our agency partners as well.

I just think with consolidation, we have to give the distributors and the retailers what they need. It's our job to make sure we answer that call in a consolidating market.

Q: Is premiumization continuing? And how do you deal with that reality versus selling your lower-priced wines with great volume?

Indelicato: I think premiumization has slowed down, and I think that's coming from the consumer. So as it slows down, our goal is to focus on quality in terms of answering the premiumization question. It's hard to take price; everybody knows that. And so for us, we're trying to hold price on the brands that we have and improve the quality so we can compete at those price points. And for us, premiumization is about launching new brands or picking up new agency partners at higher price points.

Q: Let's jump to the subject of Bota Box. Is it still growing really well?

Indelicato: Yeah, it's got four bottles of wine in the 3-liter box and it sells for over $18. So I would say it's an $18 ring. But Bota Box is not slowing down. It's over 17% growth in Nielsen.

That has led us to expand the Bota Box Nighthawk brand. We had two SKUs there go to a million cases rather quickly. And so we're launching some additional SKUs, with our Nighthawk Gold Chardonnay and a Bourbon Barrel Aged Cabernet, for example, that we're rolling out in the 3-liter. They're a bigger wine style, and it seems to attract a different consumer than Bota Box.

Q: Are canned wines going to hurt boxed wine sales?

Indelicato: I think the wine in cans has helped drive growth in other categories like our Tetra Pak. Our 500-ml Bota Box is just on fire and growing at 40% overall, with majority of the SKUs growing anywhere from 40% to 70% each four-week Nielsen period. And that's a big brand that's been around for a number of years. I think what people are figuring out is you can get really high-quality wine in a can or a 500-ml Tetra Pak or a 3-liter. And so that's sort of driving alternative packaging.

As retailers around the country are now rolling these into the cold box, I think it's going to be a win for retailers. And we've managed to fit the package in the cold box, so it works rather well. They can easily swap a 1.5-liter bottle location for it, because that category's fading a bit. And it allows the retailer to double the ring, right?

Q: Right. So there was some strategic thinking about the packaging.

Indelicato: Absolutely, we spent a lot of time studying the size of a 3-liter. We wanted it to fit in the American refrigerator where the milk goes.

Q: It's interesting that people are talking about wines under $10 shrinking in sales, yet boxes and cans are growing fast and are in that same price category.

Indelicato: I think boxes have been overlooked a bit because there's really two people in that category, Black Box and Bota Box. That category is leading the entire industry in growth by far. In 2018, Bota Box 3-liter outgrew the entire can category combined. And so if you study that, it tells you that there's an opportunity in lots of different alternative packaging situations out there. So we see the onslaught of seltzers and things like that. I think the consumer is learning to drink a lot of different things in different packaging. But a lot of people think that the changing demographic of the consumer is a challenge. We think it's a huge opportunity.

— Jim Gordon

Upcoming Events

Nov. 7-9: Hong Kong International Wine & Spirits Fair

Bringing together more than 1,000 exhibitors and tens of thousands of members of the wine trade at the Hong Kong Convention and Exhibition Centre. Apart from wine and liquor, the fair also features zones dedicated to wine accessories and equipment, education, investment and services such as logistics and wine tourism. event.hktdc.com

Nov. 11-13: Sustainable Ag Expo

The Sustainable Ag Expo is a multi-day, educational seminar bringing the latest scientific and technical information to growers, pest control advisors, and other agricultural professionals interested in and committed to sustainable farming across a range of crops. sustainableagexpo.org/overview/

Nov. 12-14: ProWine China

As a regional event for ProWein Düsseldorf, ProWine China has continued to lead in quality and quantity regarding its international exhibitors – as an ideal destination for Chinese importers, distributors and suppliers to source from the perfect vineyards. exportsolutions.com.au/prowine-china/

Nov. 25-26: wine2wine

Wine2wine is a dynamic, international wine industry forum organized by Veronafiere and held in Verona, Italy. The event is a key reference point for wine producers and a diverse variety of wine professionals eager to develop and grow their wine businesses worldwide. wine2wine.net

Dec. 2-3: World Bulk Wine Exhibition

The world's largest trade fair dedicated to the bulk wine business takes place in Amsterdam. An event that gathers, during only two days, 75% of the bulk wine supply that is exported worldwide. In 2019, the WBWE celebrates 11 years. worldbulkwine.com/en/

Jan. 22-23, 2020: DtC Wine Symposium

The DtC Wine Symposium is presented by and the primary fundraiser for Free the Grapes! The event, held in Concord, Calif., features keynote sessions, breakout sessions and a trade show for wine industry DtC professionals. dtcwinesymposium.com

Feb. 4-6, 2020: Unified Wine & Grape Symposium

North America's largest wine industry trade show and conference in Sacramento, Calif. unifiedsymposium.org

Feb. 11-12, 2020: Oregon Wine Symposium

Learn, connect and grow at the Oregon Wine Symposium, the Northwest wine industry's premier educational event and trade show. Organized by the Oregon Wine Board and Oregon Winegrowers Association in partnership with event organizers Social Enterprises at the Oregon Convention Center in Portland, Ore. oregonwinesymposium.com

Feb. 27, 2020: Innovation + Quality

IQ2020 in Napa, Calif., features wine trials, educational sessions and tastings as well as hands-on demonstrations of the latest equipment and techniques curated by the editors and publishers of *Wine Business Monthly*. Join more then 50 exhibitors and sponsors for intimate conversations with leading wine industry professionals at the IQ Salons throughout the day as well as experience the latest innovations in packaging, equipment, barrels and lab analysis all aimed at improving wine quality in ultra-premium wineries. na.eventscloud.com

March 2-5, 2020: Washington Winegrowers Convention and Trade Show

Join the winegrape industry from all around the Pacific Northwest and nation in Kennewick, Wash., to learn more about and leverage the opportunities that abound for Washington wine. wawinegrowers.org

March 10-12, 2020: Eastern Winery Exposition

The largest industry event east of the Pacific states, EWE takes place at the Lancaster County Convention Center & Lancaster Marriott at Penn Square in Lancaster, Penn. easternwineryexposition.com.

March 24, 2020: Central Coast Insights

The economic and financial conference in Paso Robles, Calif., for the wine industry of California's Central Coast. eiseverywhere.com/website/4856/

March 25, 2020: WiVi Central Coast

WiVi Central Coast, is the premier wine and viticulture symposium and trade show for the wine industry of California's Central Coast. Now the largest wine industry event south of San Francisco, WiVi takes place in Paso Robles, Calif., and features nearly 200 exhibits and hundreds of new products, product demonstrations, educational seminars and networking opportunities for winemakers, grape growers, winery owners and managers. This one-day conference and trade show features sessions by top industry leaders on regional viticulture, enology and DtC topics and gives attendees the opportunity to understand and experience new trends and technology. na.eventscloud.com/website/5082/