

2023 Direct-to-Consumer Wine Survey: Report, Results and Benchmarks

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2023 Direct-to-Consumer Wine Survey: Report, Results and Benchmarks What will the next decade bring?

The direct-to-consumer (DTC) model continues to positively evolve and is doing so at an accelerating pace.

It's amazing to think that just a decade ago, direct-to-consumer sales were only about half the sales of an average winery. Nowadays, DTC sales are almost 75% of the average winery's sales! Back then, a quarter of the wineries that responded to the SVB Annual Survey didn't even charge tasting fees. Tasting fees have exploded higher since then.

The Wave of the Future: Club Expansion Using Data



The wine industry is undergoing a significant and emerging transformation in the way consumer data is collected and used. The abundance of owned-data available from wineries, coupled with specialized industry vendors, represents a tremendous opportunity for businesses to improve decision-making and more effectively target their customer bases to drive sales and club success. With the explosion of artificial intelligence and machine learning, the need to employ powerful data resources will only accelerate. Marketing data management will become the next must-have discipline for successful wineries.



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Rob McMillan is one of the top wine-business analysts in the United States and the author of Silicon Valley Bank's highly regarded annual *State of the Wine Industry Report*, described by *The New York Times* as "probably the most influential analysis of its kind."

With Rob's decades of experience researching the industry and working with winery clients, his views are sought after and trusted by winery owners, journalists, entrepreneurs and investors. He is a prominent speaker, domestically and internationally, and you will find him extensively quoted in national, regional and trade press.

2023 Direct-to-Consumer Wine Survey: Report, Results and Benchmarks

What will the next decade bring?



Market Expansion: The Experience on the Road

While the world transformed to digital during the past thirty years, the wine industry expanded its analog approach and made the tasting room the center of DTC strategy. The consumer came to us to experience our wine. Moving forward, we will have to pursue the consumer and take the experience on the road. E-commerce platforms now provide access to a national audience, breaking geographical barriers. The adoption of digital strategies to obtain new club members beyond the tasting room is a marked change that's gaining traction and can enhance the sales opportunities for individual wineries. Finding the right path to engage with customers where they are will be one of the secrets to success over the next decade.

Wine Country: Market Saturation



The increasing number of wineries participating in DTC sales has led to market saturation. With more wineries vying for consumer attention, standing out in a crowded marketplace has become increasingly difficult.

Established wineries often possess greater brand recognition and consumer loyalty, making it challenging for new entrants to gain traction. Being different isn't enough. Understanding your brand and adapting it to evolving preferences will bring greater customer diversity and interest tomorrow.



2023 Direct-to-Consumer Wine Survey: Report, Results and Benchmarks

We remain committed to producing this report despite challenges

With SVB facing turmoil earlier this year, the production of the gratis SVB direct-to-consumer research was in jeopardy. However, the industry stepped up with strong vocal support, giving us the motivation to continue. Though we were delayed in releasing our annual DTC report, we ultimately decided to go ahead with it, albeit two months later than usual. Unfortunately, we had the lowest participation rate in our history.

It's important to note that this is a partnership between the industry and the bank. Your participation in our surveys, in essence, is your vote to continue with these efforts. So, when you see an SVB survey open, please take the time to complete it. It's a small investment that can make a big impact on the industry as a whole.

To those who participated in this survey, we are truly grateful. Without your help, this industry resource would not exist this year. Your willingness to partner with us to advance the industry's success is inspiring, and we dedicate this report to your spirit.

On behalf of all the respondents, we invite you to explore the 2023 SVB Direct-to-Consumer Wine Survey Report.



Contents

1	Digital Strategies	6
2	Tasting Room	11
3	DTC Channel	21
4	Wine Club	30
5	Wine Club Member Growth and Lifetime Value	35
6	Urban vs Winery-Based Tasting Rooms	42
7	Survey Respondent Profile	47





Digital Strategies



The growth of data mining is one of the larger trends observed

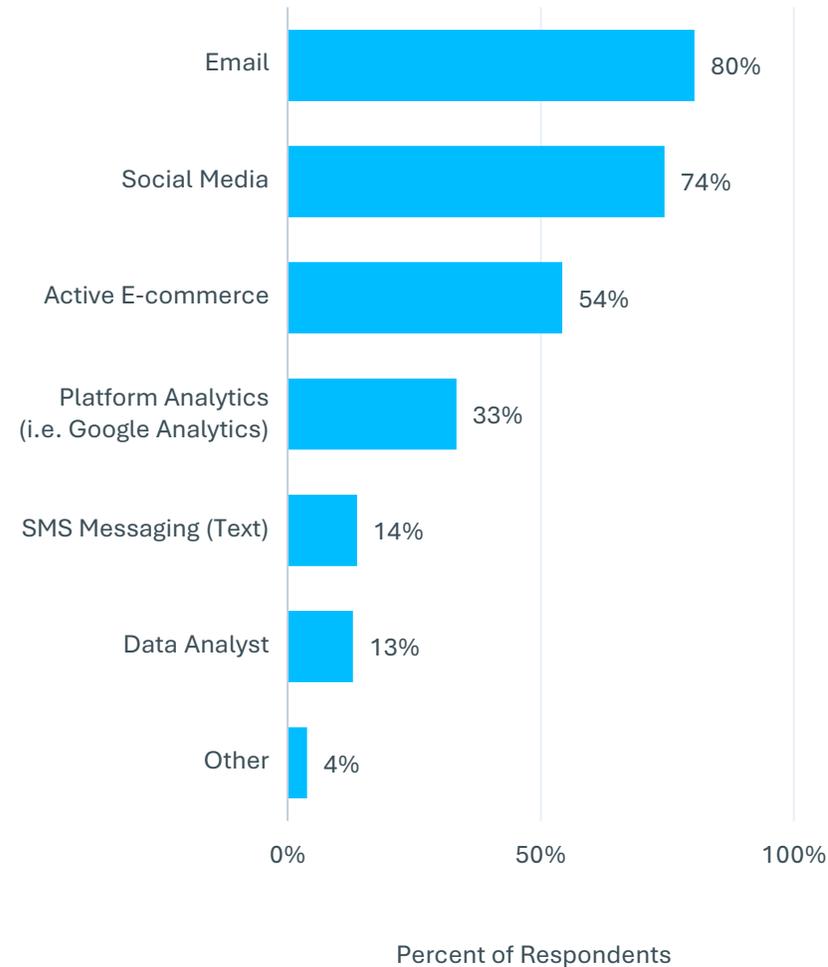
Since the early 2000s, when the internet first made online shopping possible, digital applications have been changing to support the direct-to-consumer (DTC) landscape. Starting around 2010, DTC accelerated due to the impact of the Granholm ruling and distributor change.

Email was the first to revolutionize direct selling, followed by social media.

The decade ahead will see a continued use of data to help operations and sales. The future of DTC will also be impacted by AI and machine learning, which will play an increasingly important role in consumer research and decision-making.

While not categorized in this survey, the seeds of AI have been planted with the mention of ChatGPT as an “Other.”

Use of Digital Resources



Examples of Other (4%):

- ChatGPT
- Phone and mailer outreach

Online Marketing Tools Include:

SEM, retargeting, SEO, driving sales to web, banner ads, etc.

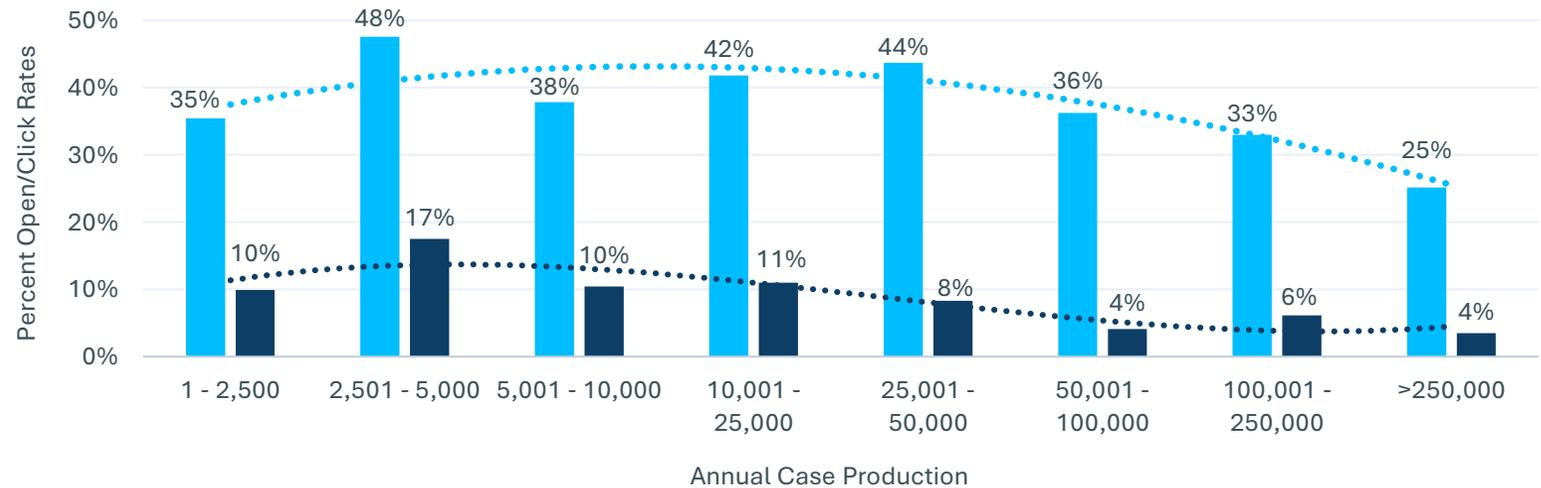
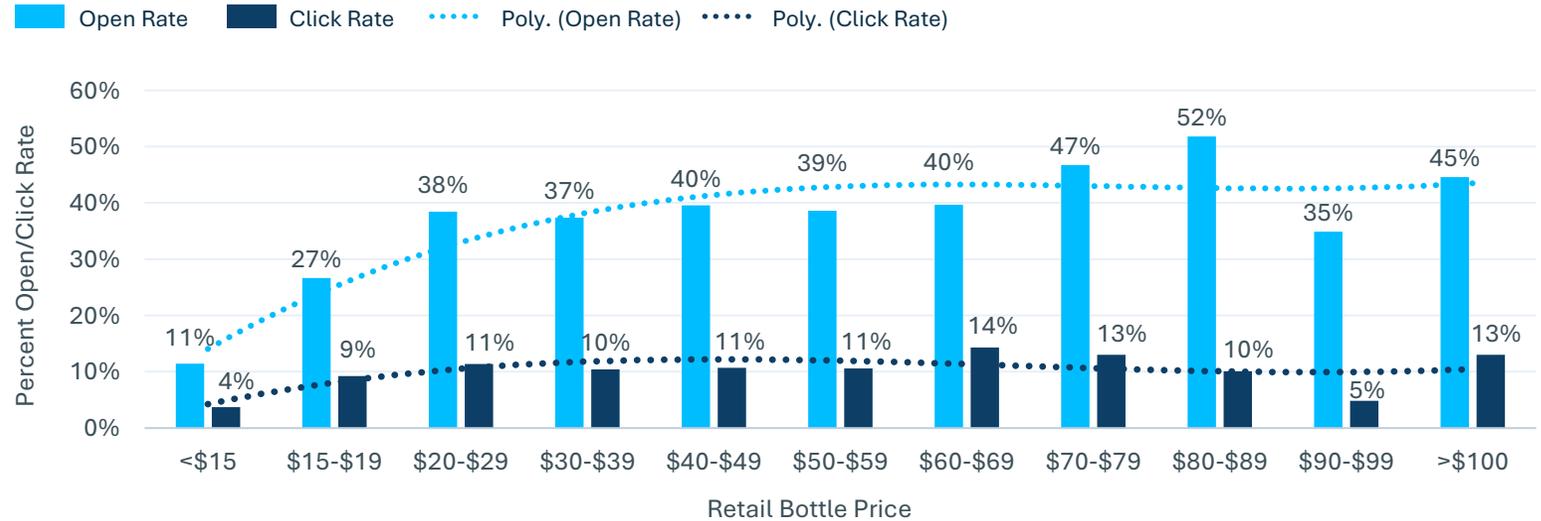
Lower volume and higher priced premium wineries still have better email performance metrics

For several years we've heard the occasional comment that email marketing is passé, but that's not what the data shows.

Email marketing is still an effective marketing tool for most wineries. Open and click-to-open rates for Leisure and Hospitality, the closest to the wine industry, are approximately 20.2% and 8.7% respectively, according to Campaign Monitor's year-end 2022 report.

For the wine business, open rates and click rates are roughly double those results. Wineries that produce less than 100,000 cases and boast above \$20 average bottle prices demonstrate the highest rates.

Email Marketing Open and Click Rates by Bottle Price and Cases



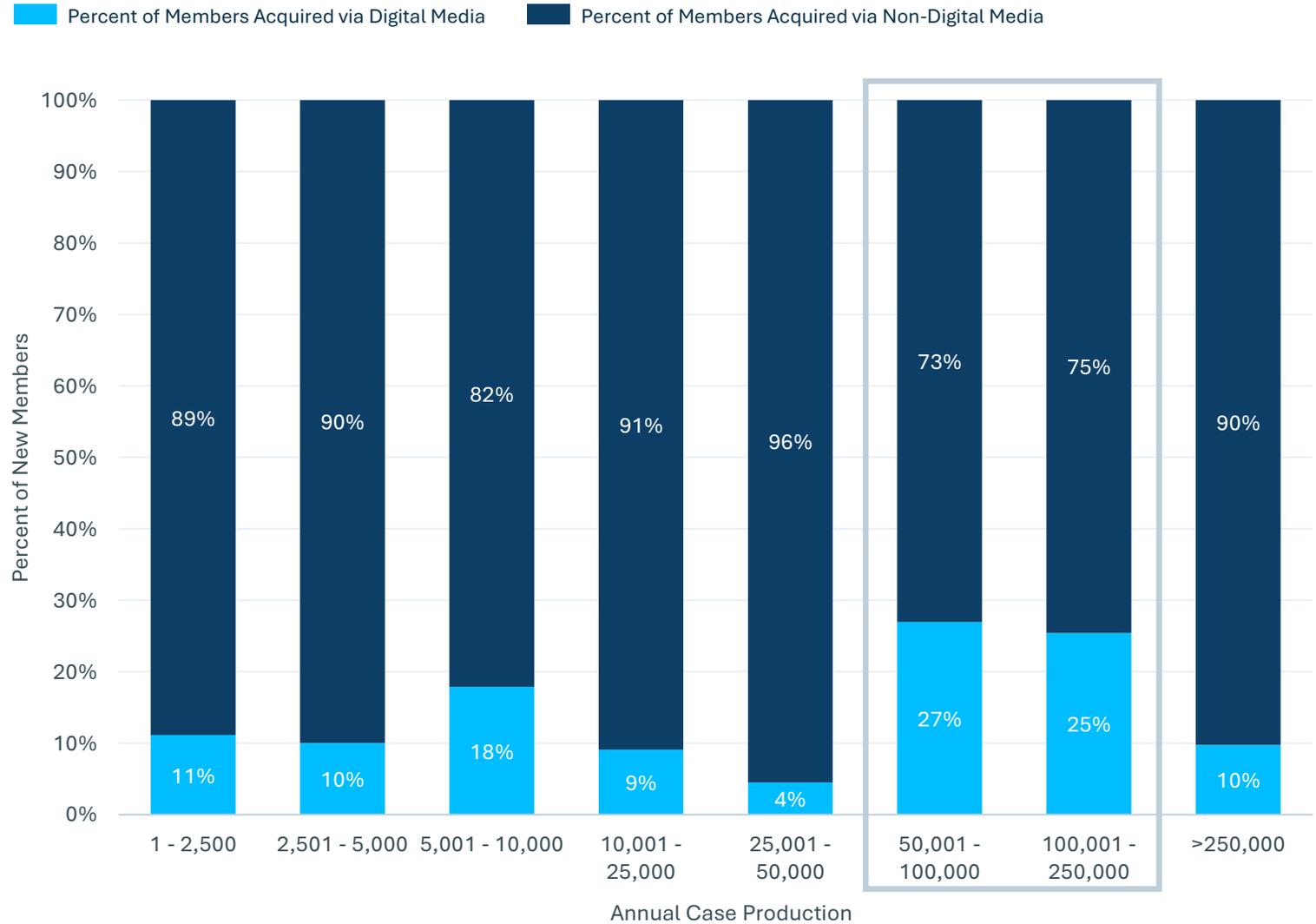
Capturing club members via digital continues to expand. Larger wineries devote more effort to it.

SVB has been advising the industry for almost a decade that taking the wine tasting experience on the road is crucial for continued industry growth.

Relying solely on the tasting room as the near-exclusive source of wine consumers is a risk. The COVID pandemic highlighted this issue even further. The wine industry has responded.

Moving forward, tracking and driving growth in club memberships outside the tasting room should be a goal of all wineries with clubs.

Club Memberships Generated via Digital vs Traditional Methods



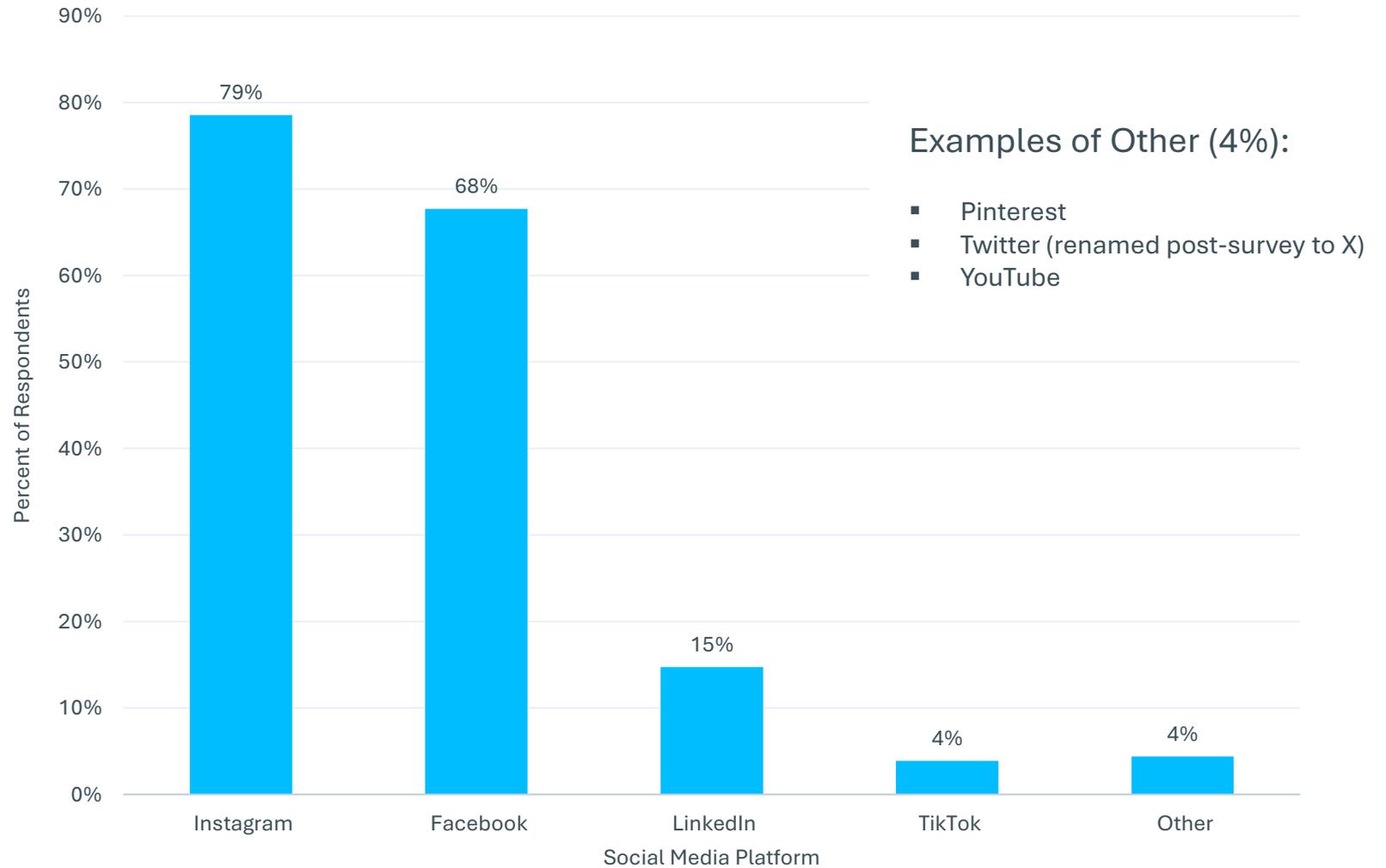
Wineries are becoming increasingly savvy regarding their social media goals

Social media has proven effective as a means to build brand awareness, obtain customer leads and help in product promotion. Whether it's truly successful as a tool for selling wine remains under debate.

Instagram and Facebook reign in terms of wineries' social media platform usage, with 79% of respondents utilizing Instagram and 68% utilizing Facebook. The key is to take those who've become brand aware and create a digital relationship with them.

While Twitter (renamed post-survey to X) has yet to be a particularly useful tool, some of the newer platforms such as Thread may prove to be effective down the road.

Social Media Marketing Platforms Used





Tasting Room

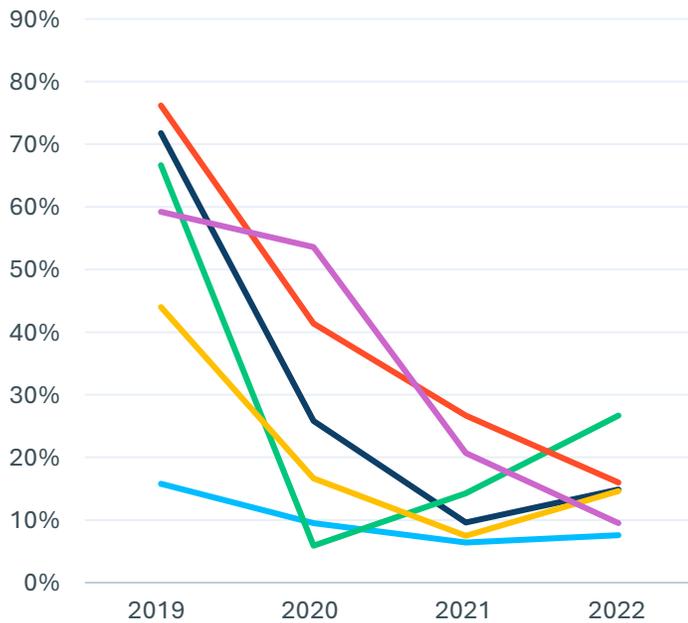


Decline in walk-in tastings since COVID is telling. The walk-in model has not reverted to pre-COVID penetration and likely will not do so.

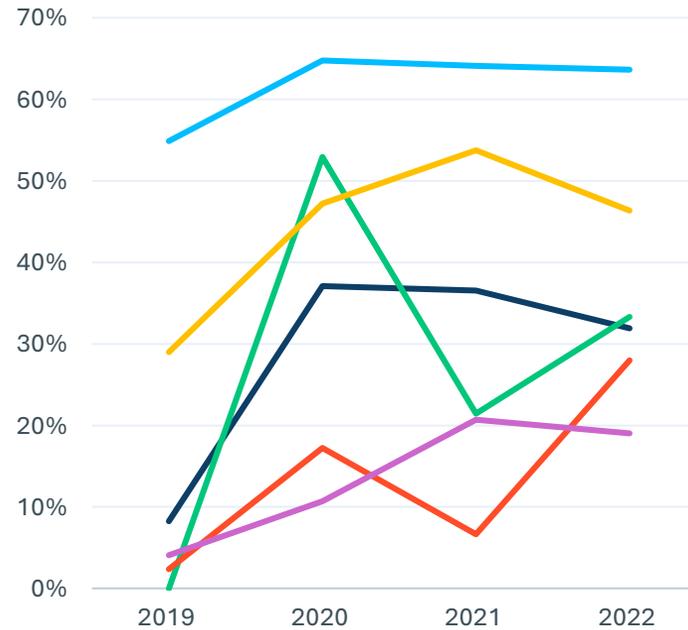
Wineries Offering By-Appointment and Walk-in Tastings by Region

— Napa County
 — Oregon
 — Paso Robles
 — Santa Barbara
 — Sonoma County
 — Washington

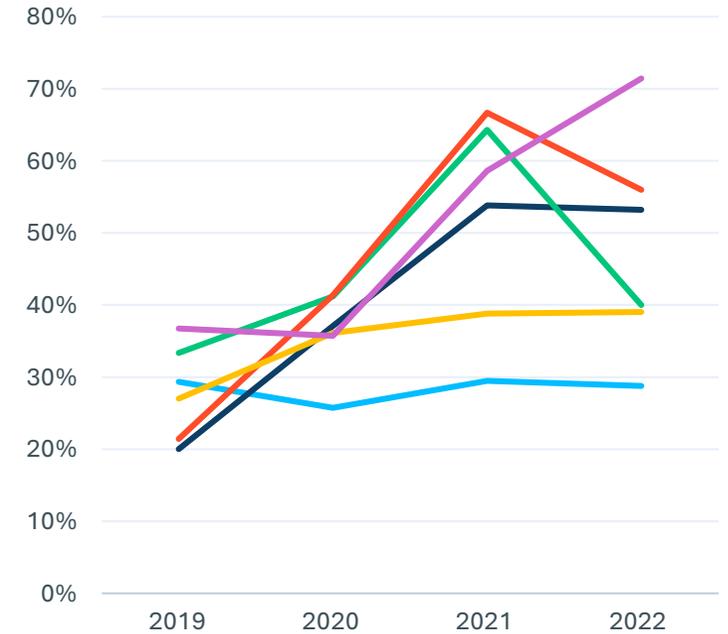
Walk-In



By Appointment



Both



2020 health regulations during COVID changed the industry's opinion of walk-in only models

Go back to the early '80s and all wineries were walk-in, if they did tastings. By-appointment tastings would have been laughed at. However, the market has evolved.

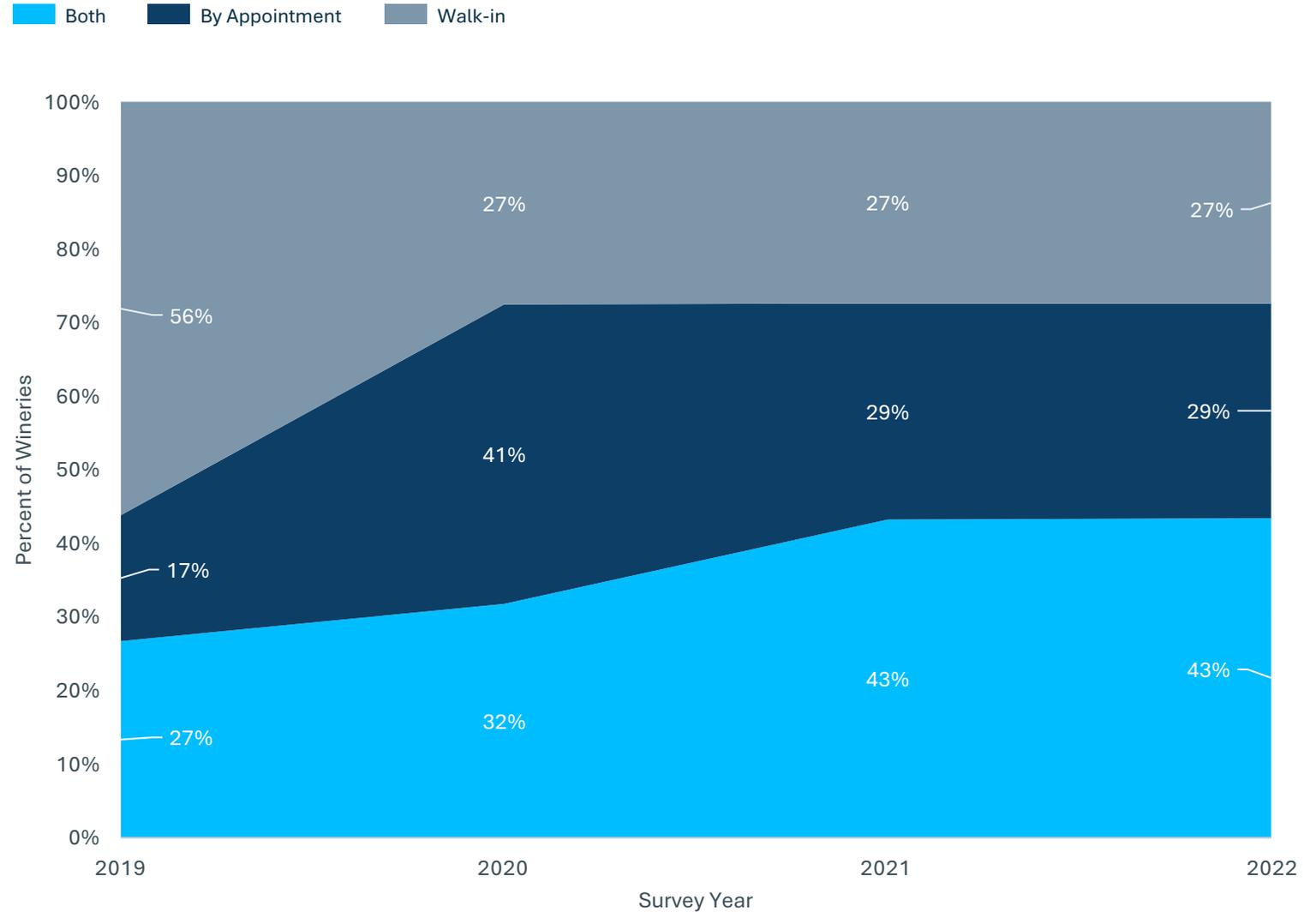
Prior to COVID, the majority of winery owners believed that changing from the walk-in model to the by-appointment model would lead to a loss of customers. At SVB, we have been espousing the opposite.

If you put balloons on the mailbox, the walk-in model brings in foot traffic, but not necessarily the right traffic.

By-appointment tastings provide more information and better control over staffing size. The approach gives tasting room employees more information about the customer ahead of an appointment making a cold opportunity, a warm one.

There's still a place for it; however, the pure walk-in model is now down to 27%.

Annual Changes in By-Appointment vs. Walk-in Model

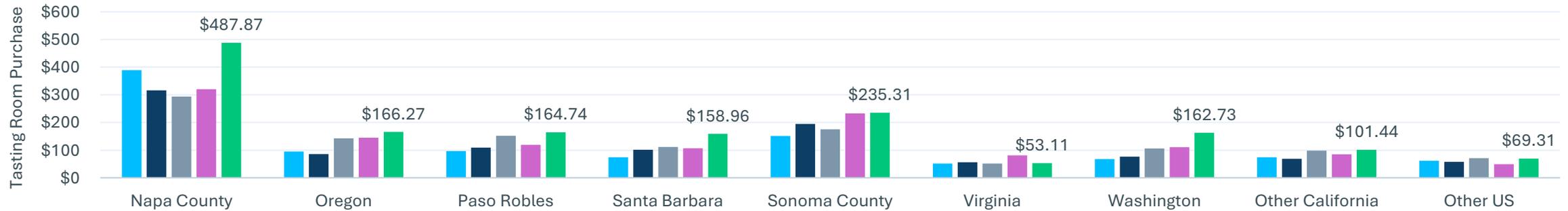


Comparison from 2022 and 2012 survey data shows significant growth in average tasting room purchase for most AVAs over time

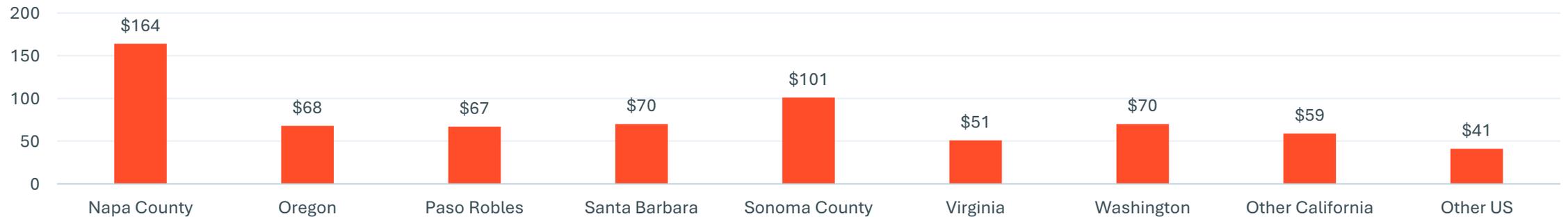
Average Tasting Room Wine Purchase by Region

2018 2019 2020 2021 2022

2022 Average Tasting Room Purchases

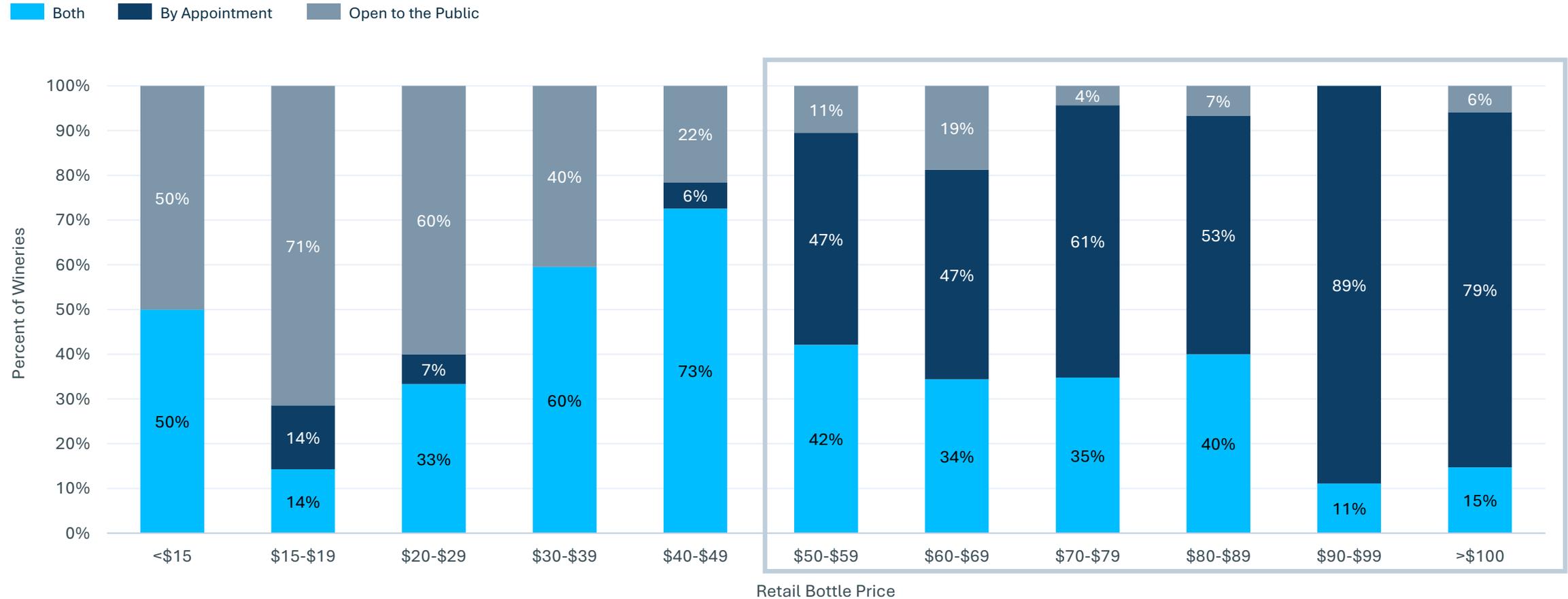


2012 Average Tasting Room Purchases



By-appointment isn't the right model for all wineries, but it's emerging as the preferred choice above \$50

By-Appointment and Walk-in Choice by Average Retail Bottle Price



Can tasting fees continue to increase? Should they?

How does a winery owner determine how much to charge for a tasting? To a large extent they are paying attention to what their neighbors are charging.

In the past, tasting rooms didn't charge fees. It was more about trying a wine and then buying it in the grocery store at home.

The wine industry today has been on a long period of driving tasting fees higher, while adding extravagant experiences.

The average reserve tasting fee is now \$58, which means a group of four could end up paying \$280, almost the cost of a nice dinner for four. In 2013 that amount was \$22.

Will new consumers will be willing to pay such fees in the future?

A few wineries have stopped charging fees altogether, which may signal the end of the tasting fee arms race. We expect more variable pricing strategies to surface such as lower pricing during times of lower demand.

Average Tasting Fees by Region

Standard



Reserve



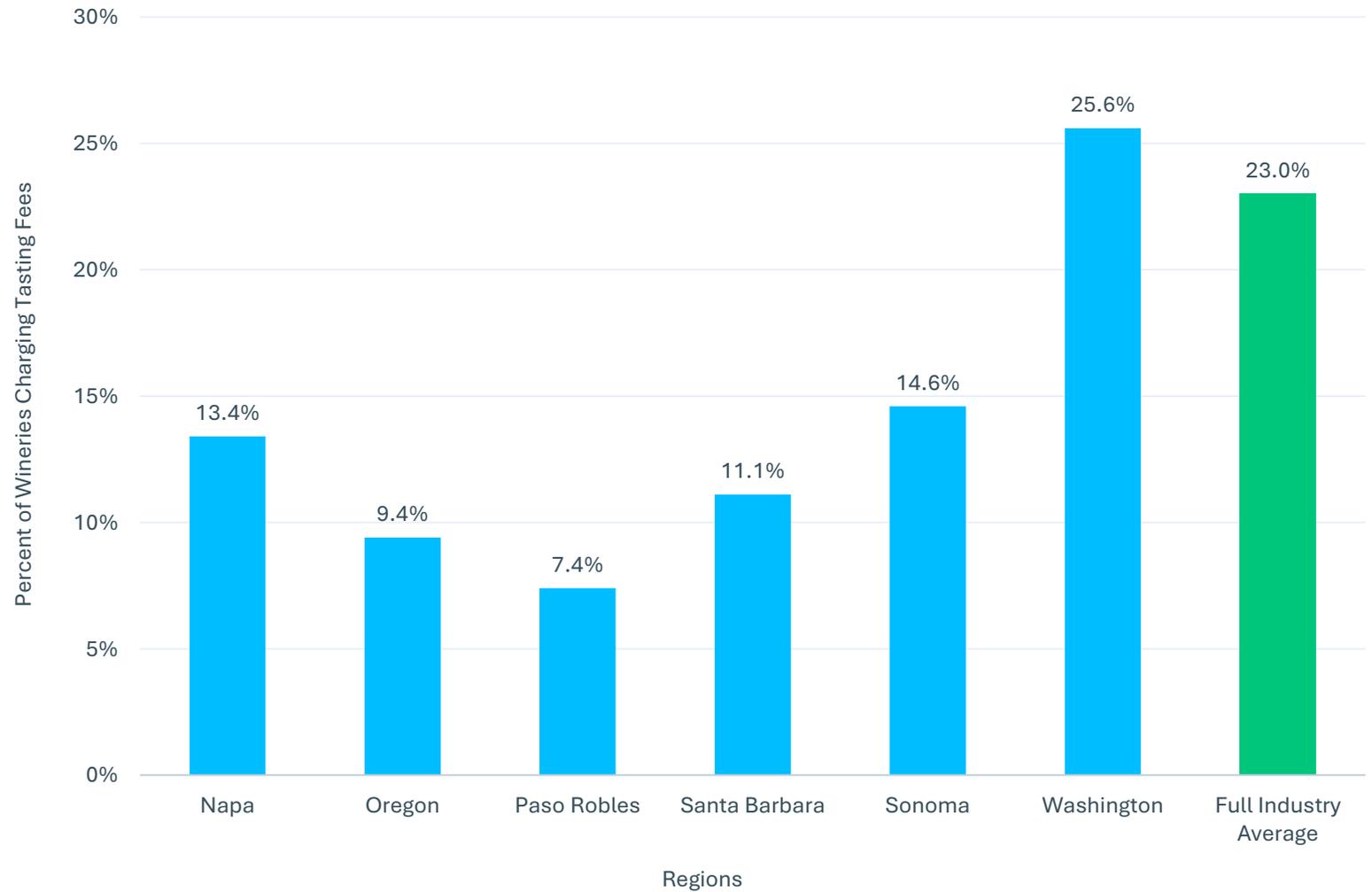
An example of the cultural shift in the DTC business

It's interesting to see how much has changed in the last decade regarding tasting fees. In 2012, almost a quarter of wineries nationwide did not charge tasting fees, which is quite different from the current landscape.

In the survey respondent slides but not included here, the average tasting fee nationwide in 2012 was \$8.50 and Napa's average fee was the highest at \$22.

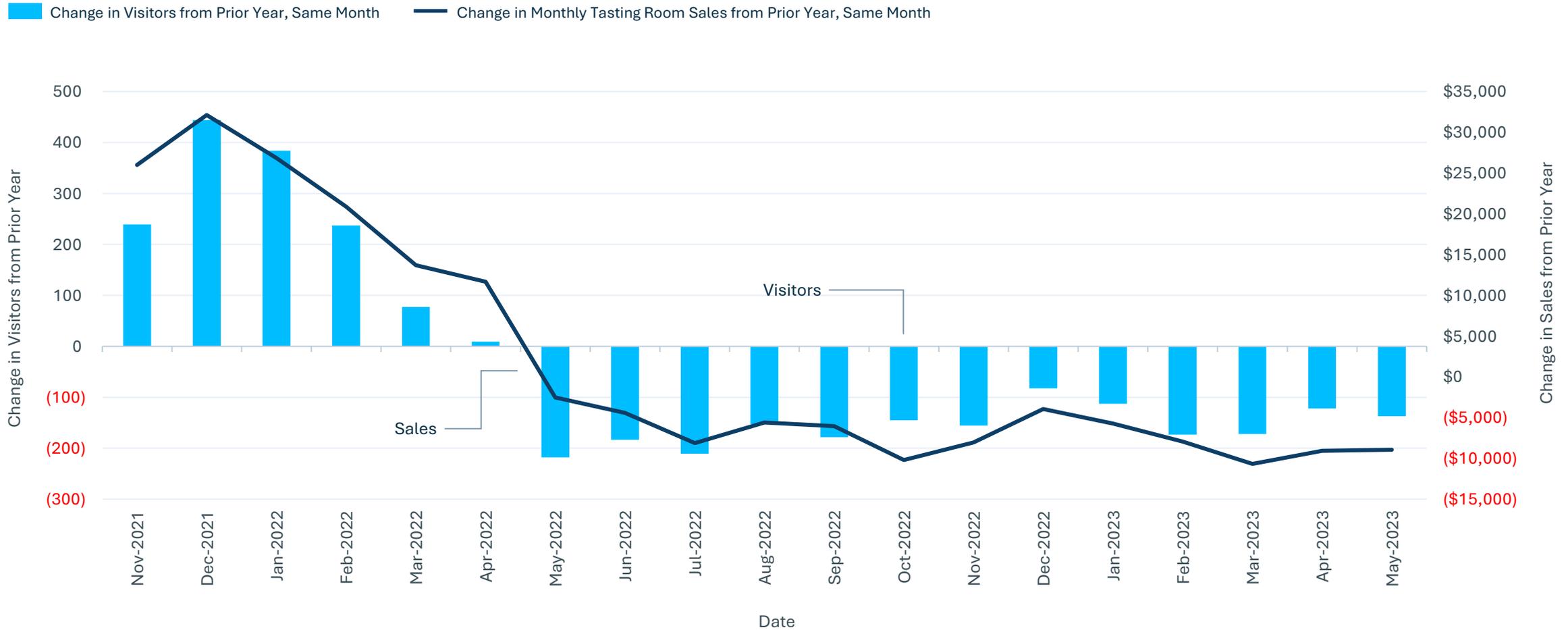
How will that change over the next decade?

Percent of Wineries Not Charging Tasting Fees in 2012 by Select Region



The drop in visitation from the prior year bottomed in May 2022 and the monthly loss has stabilized

Annual Change in Average Tasting Room Visitation and Sales



Many regions find themselves with less visitors in 2023 compared to 2022

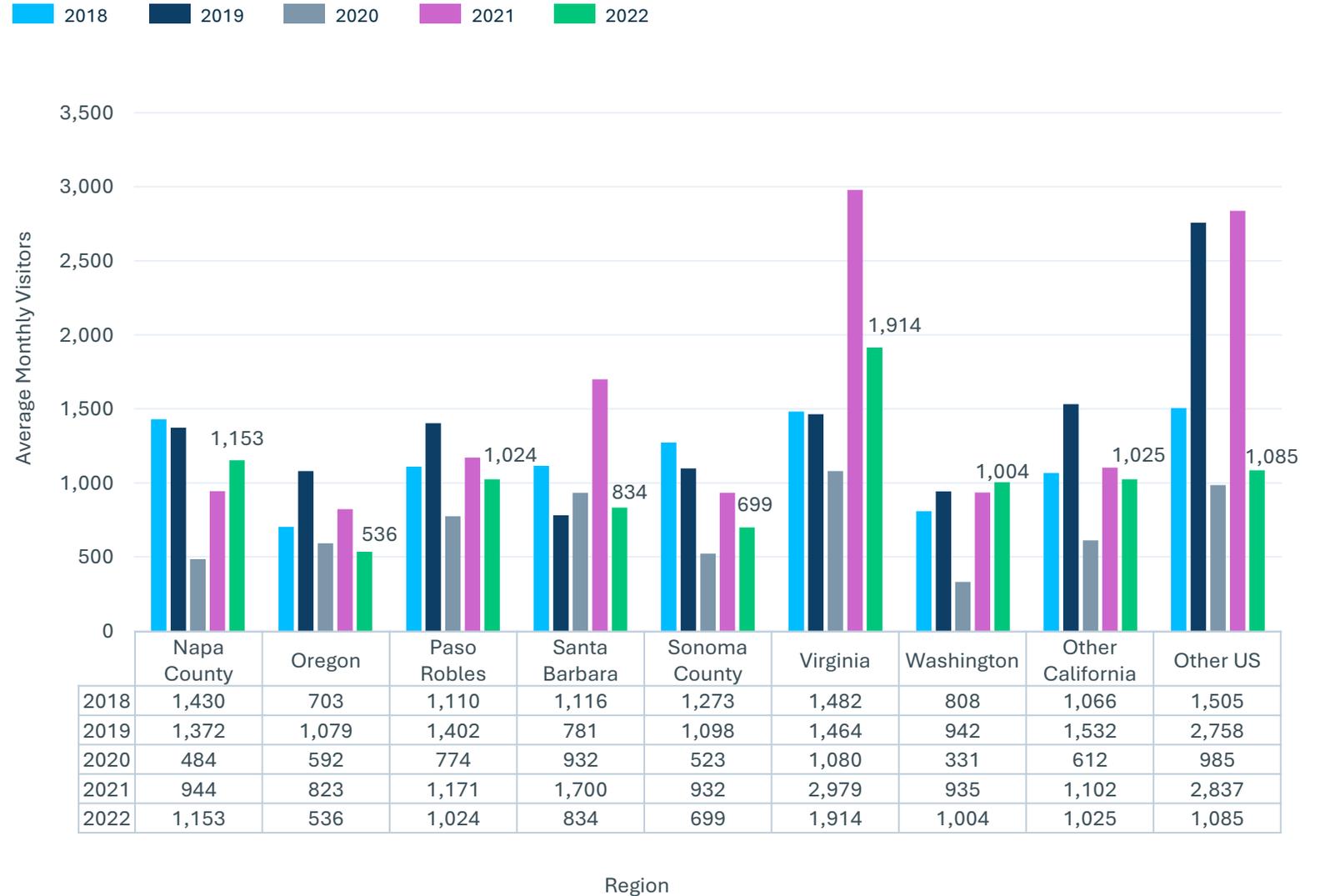
2020 was a bad year for humans, but a good year if you sold wine in grocery stores. It wasn't a good year if you sold out of your tasting room.

The situation reversed in 2021, once COVID lockdowns eased and wine tasting became one of the few things you could do. 2021 was the best year in the past decade for premium producers.

Visitation in 2022 and 2023 has dropped off those strong 2021 comps. Will visitation come back? Where will 2024 take us?

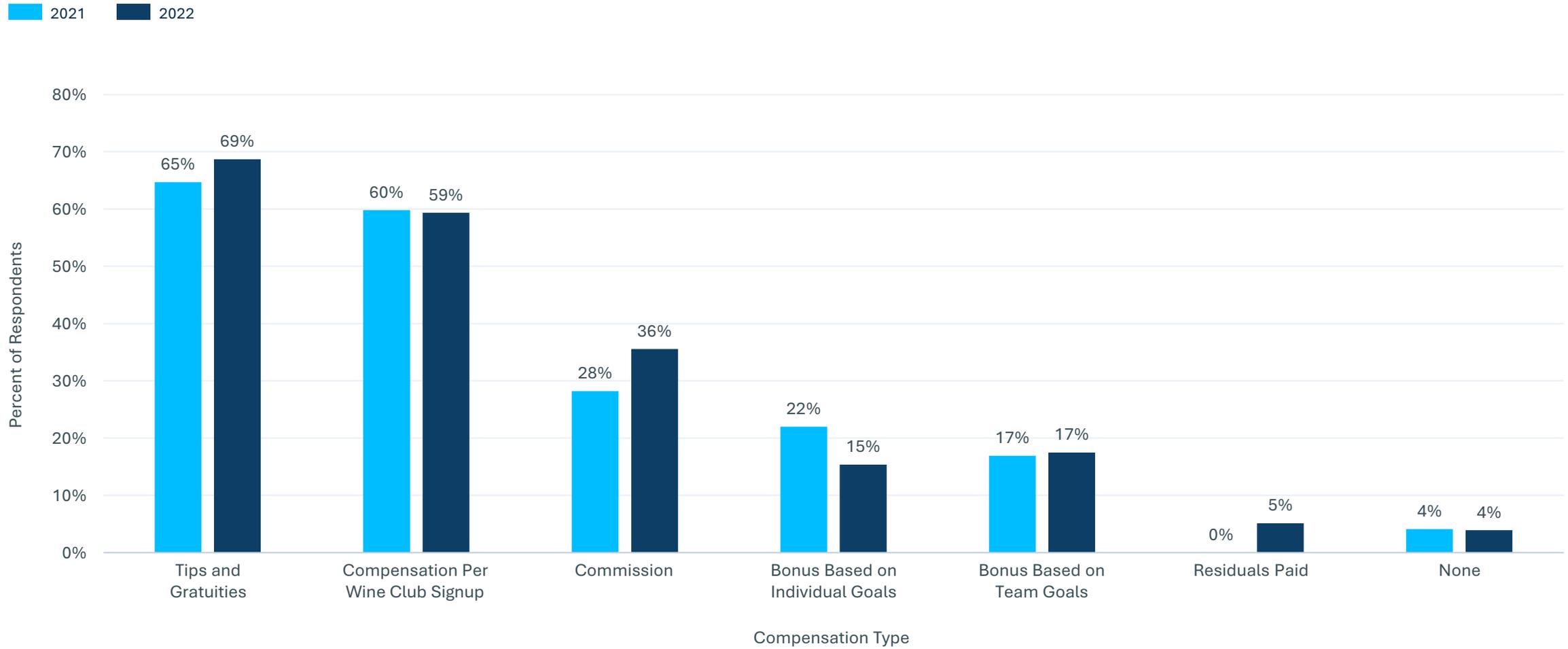
We believe reduced visitation is an aberration. It's an echo of COVID. People are catching up on delayed celebrations and travel, and passing by Wine Country. In 2024, we're betting tasting room traffic returns.

Average Monthly Visitors by Region



In 2014 tips were controversial and only 21% of wineries used them versus 69% today

Wineries' Use of Tasting Room Compensation Beyond Base





DTC Channel

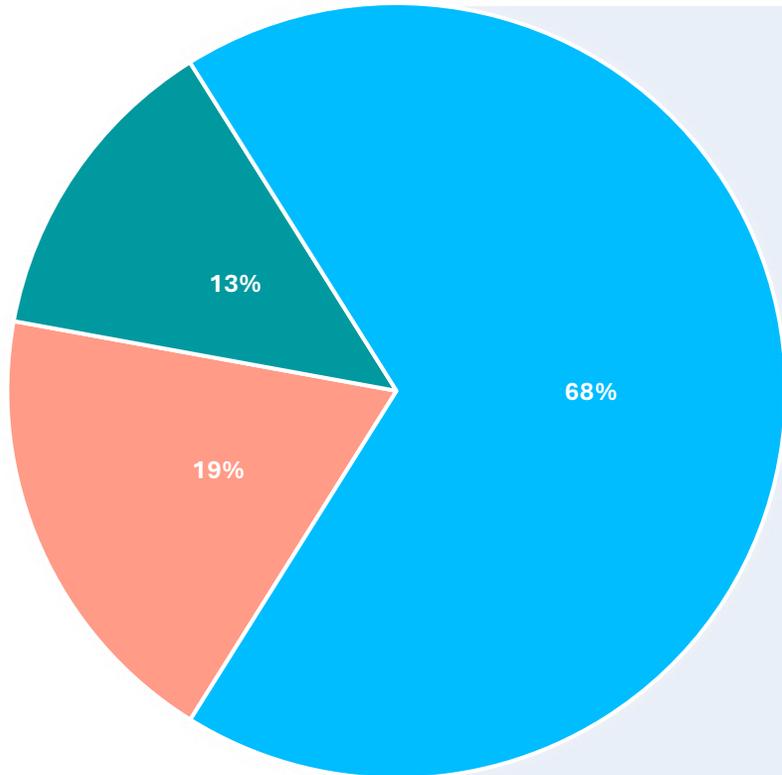


Wholesale is increasingly less important to premium wineries

DTC Channel Drilldown for Calendar End 2022

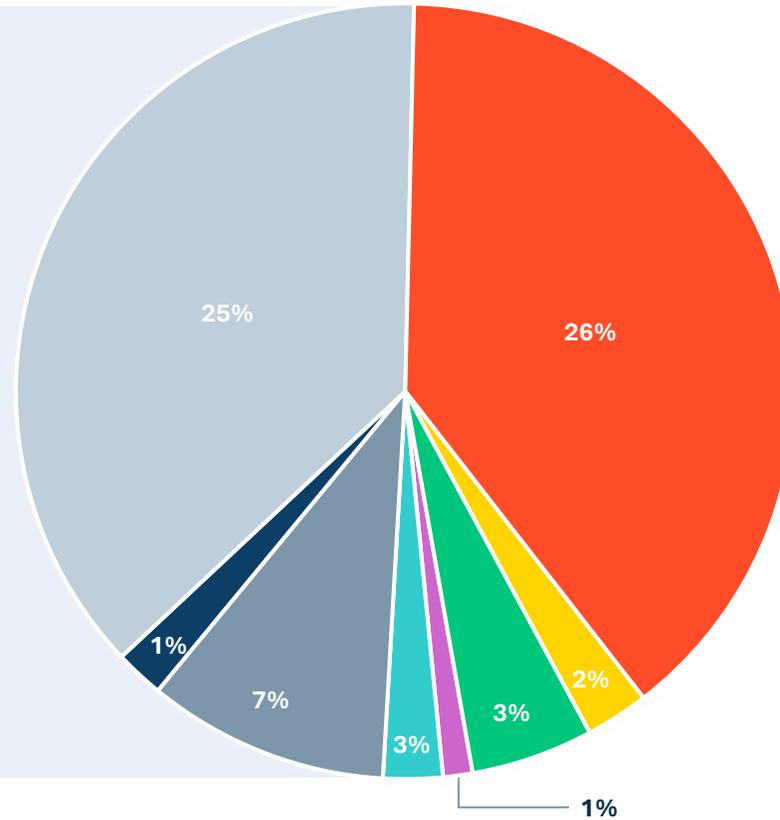
2022 All Channels

DTC Off-Premise On-Premise



2022 breakouts without wholesale

Wine Club On-site Events Allocated Members Offsite Events
Other Internet/Web Phone Tasting Room



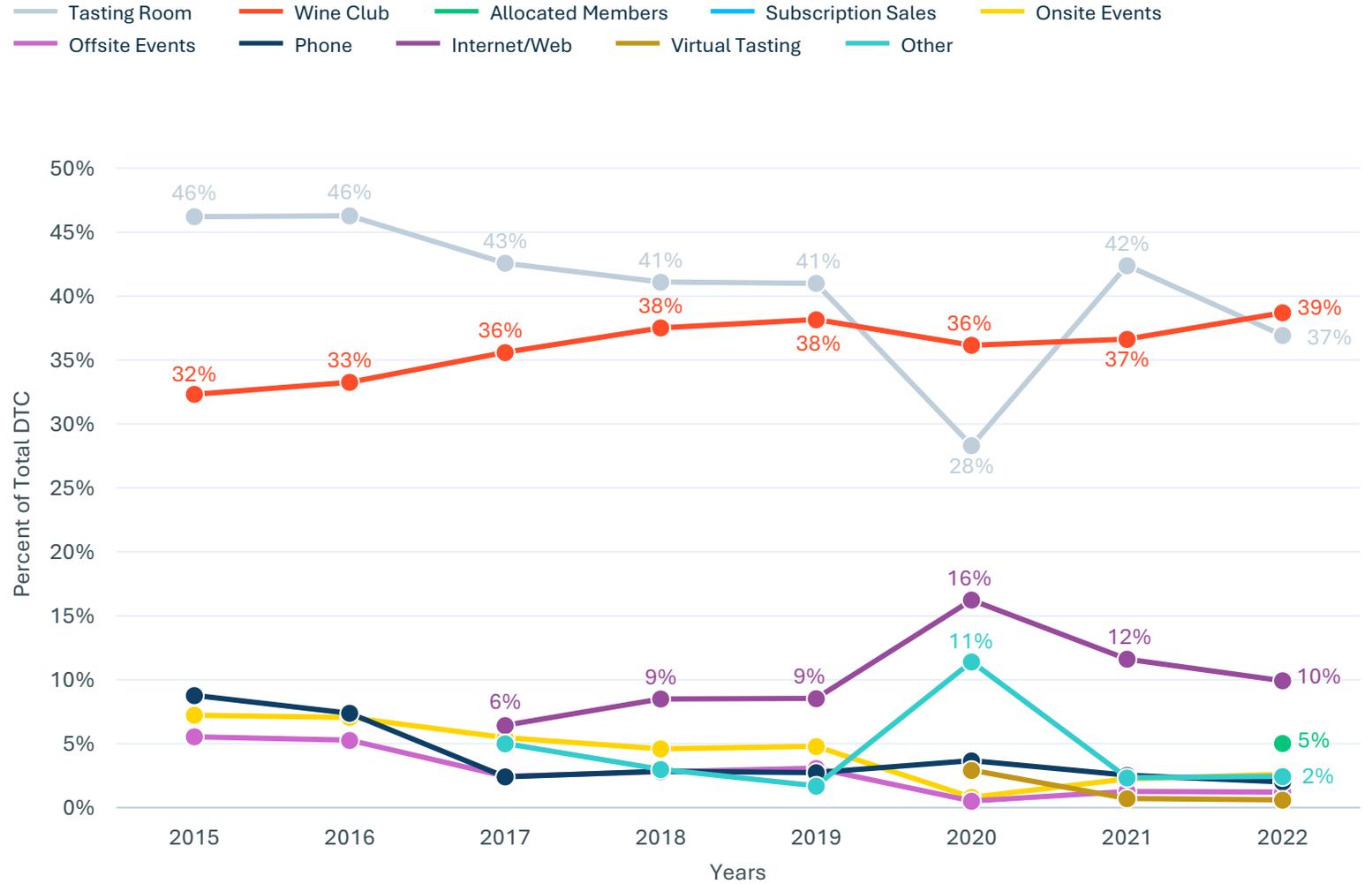
COVID changes service styles permanently

More focus has been placed on wine clubs versus pure tasting room sales during the past decade. The SVB DTC Report provided metrics for the industry starting in 2011 when few benchmarks existed. This data has helped to shape the direction of the industry by giving owners the tools to make informed decisions.

In 2020, with COVID closures, many wineries' saving grace was the wine club.

With COVID in the background, 2022 appears to be the first-year wine club sales exceeded tasting room sales. There is every reason to expect this trend to continue.

Changes in DTC Channel Performance as Percent of Total DTC Sales

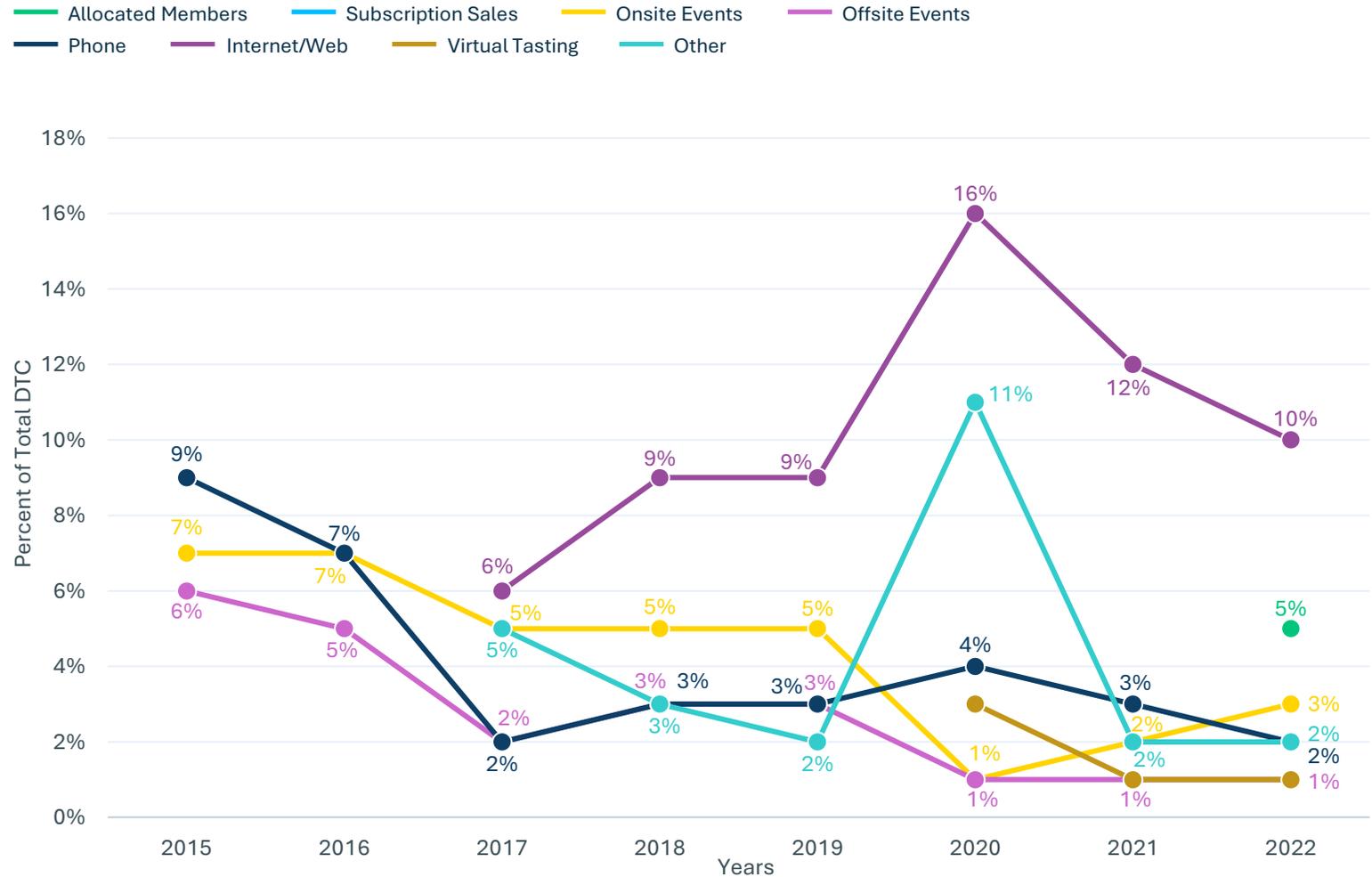


Improving e-commerce is an important step for the industry. Will we?

The adoption rate of internet sales has been slower in the wine industry compared to most others in the U.S. COVID accelerated the acceptance rate of online sales for wine by as much as five to ten years by some estimates.

Interestingly, internet sales in the wine industry captured a significant component of DTC sales during COVID. However, as we've normalized, sales have moved back to pre-COVID levels.

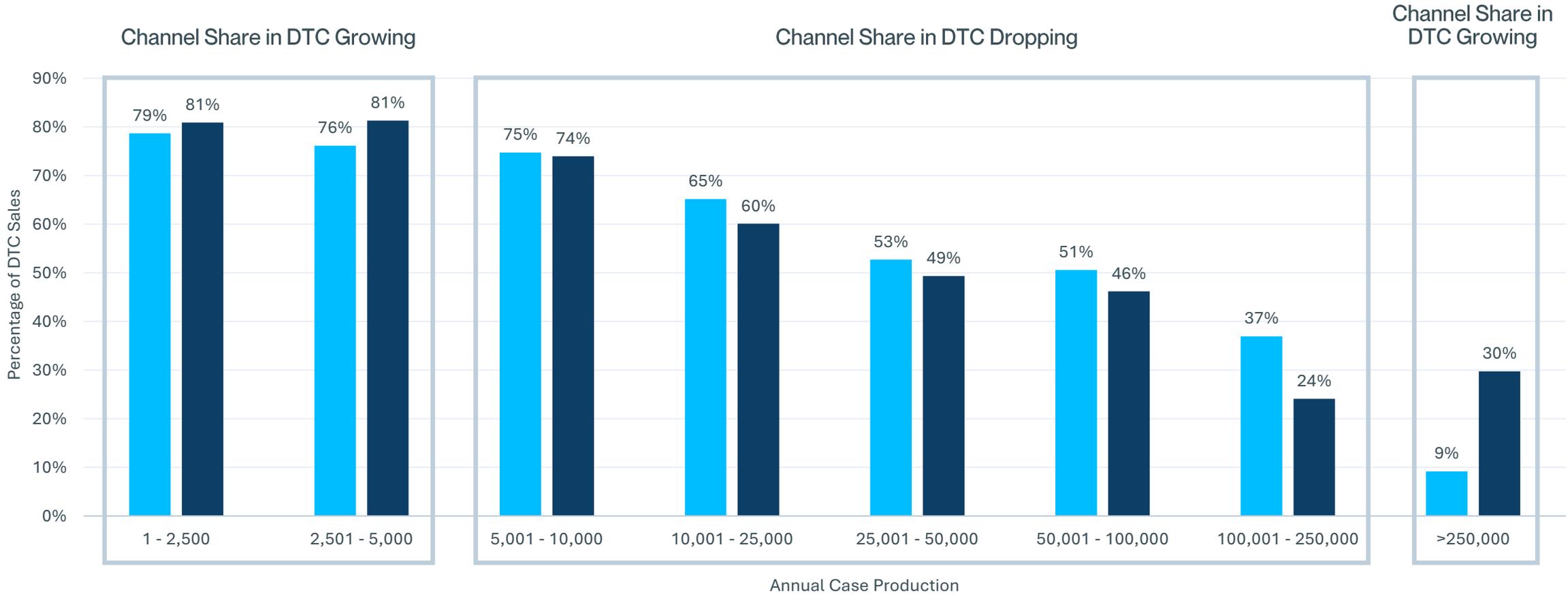
Drilldown Changes in DTC Channels as Percent of Total DTC



Smaller and larger wineries are still growing their DTC share of revenue channels

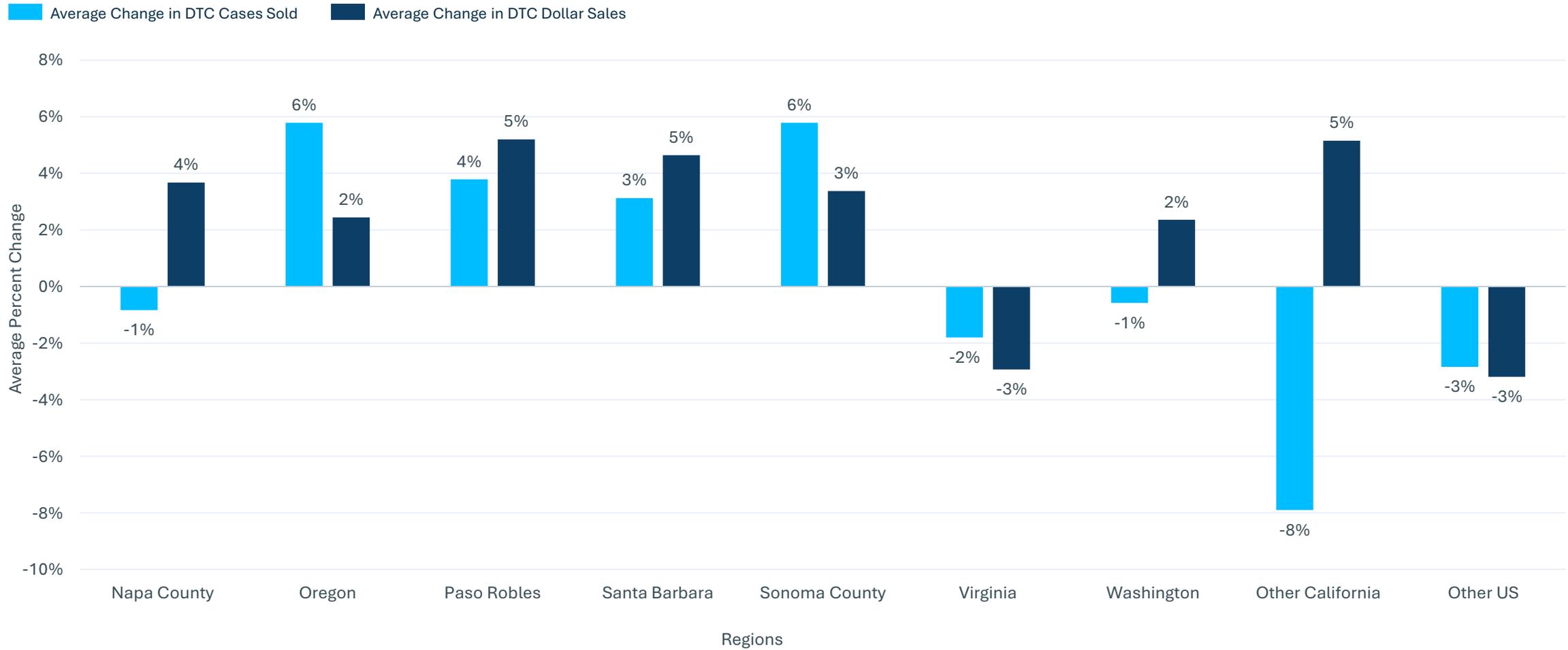
DTC Sales by Annual Case Production

2021 2022



No region is recovering the full cost of inflation using price increases

Change in DTC Cases Sold and Dollar Sales by Region



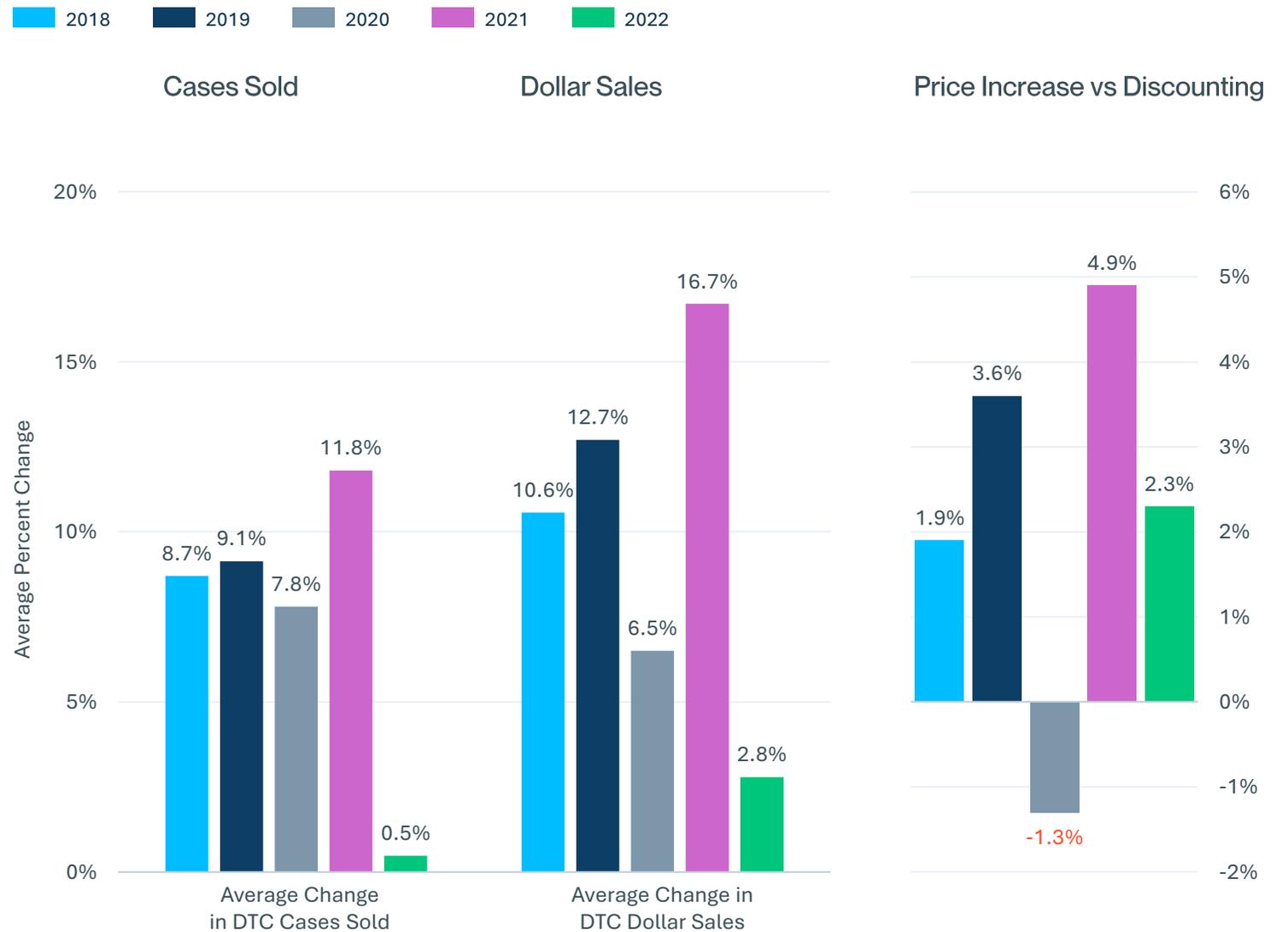
The average growth rate in 2022 slowed after a great year in 2021. Growth measured by price was up 2.3%.

It's not surprising that the growth rate in cases sold is less compared to dollar sales in almost every region.

Over the past several years, the industry had light yields. Wineries had to make adjustments to release dates in order to stretch out case sales. Premium wineries can only sell what was vinified.

Inflation with its higher input and labor costs would normally influence a producer to raise prices to cover costs. However, with the short yields, the need to raise prices has been even more important. The premium industry has been successful with modest price increases during 2022.

Change in DTC Cases Sold, Dollar Sales, with Isolated Price Changes



Excludes wineries with less than five years' experience.

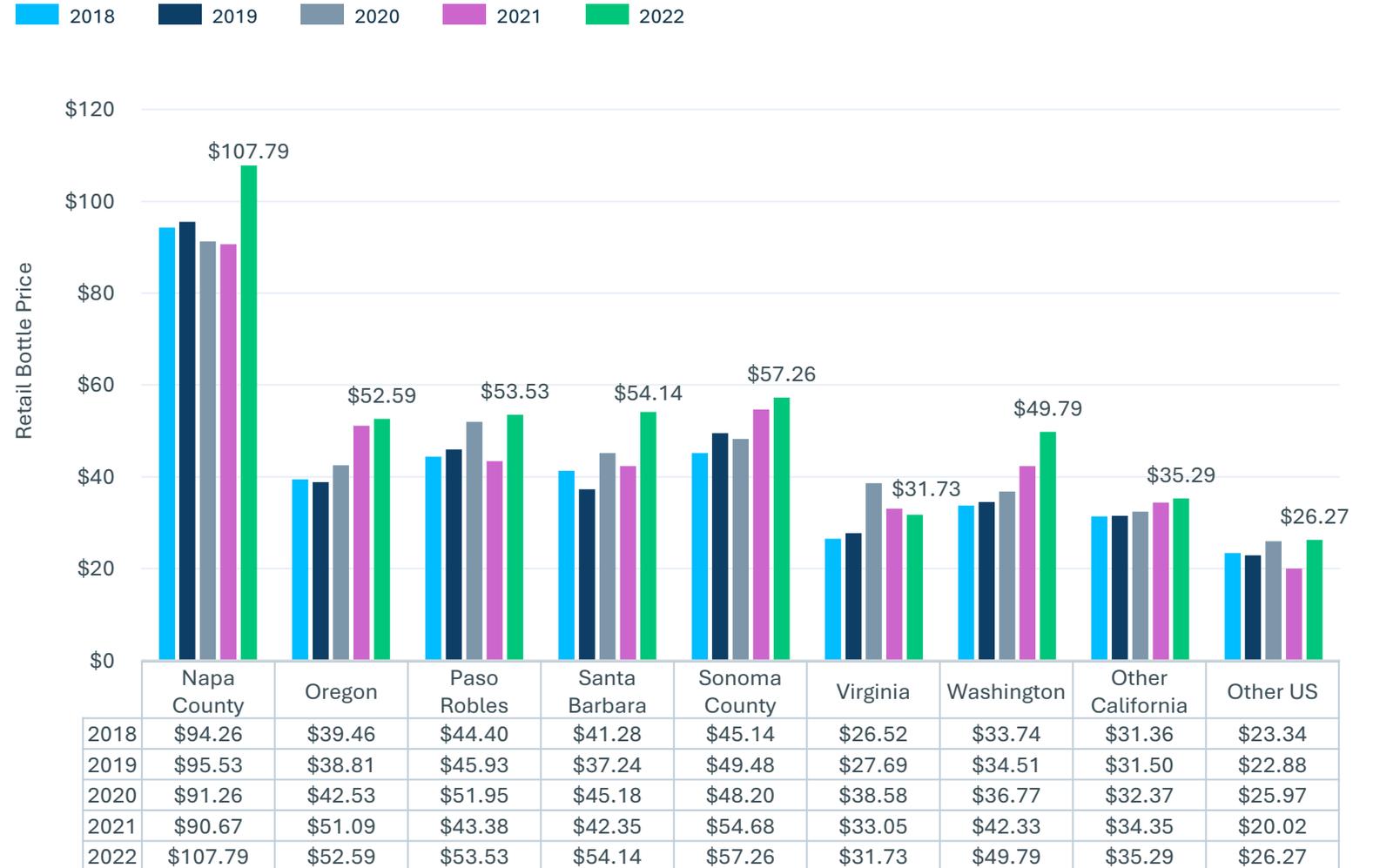
Source: Annual DTC Surveys, 2018-2022

Average bottle prices are continuing to increase

In 2022, with the economy cooling, short vintages, and inflation running high, raising prices was necessary but difficult. Most producers did increase prices.

The average winery in Napa crossed the \$100 per bottle mark, while most others ended up between \$50 and \$57 per bottle.

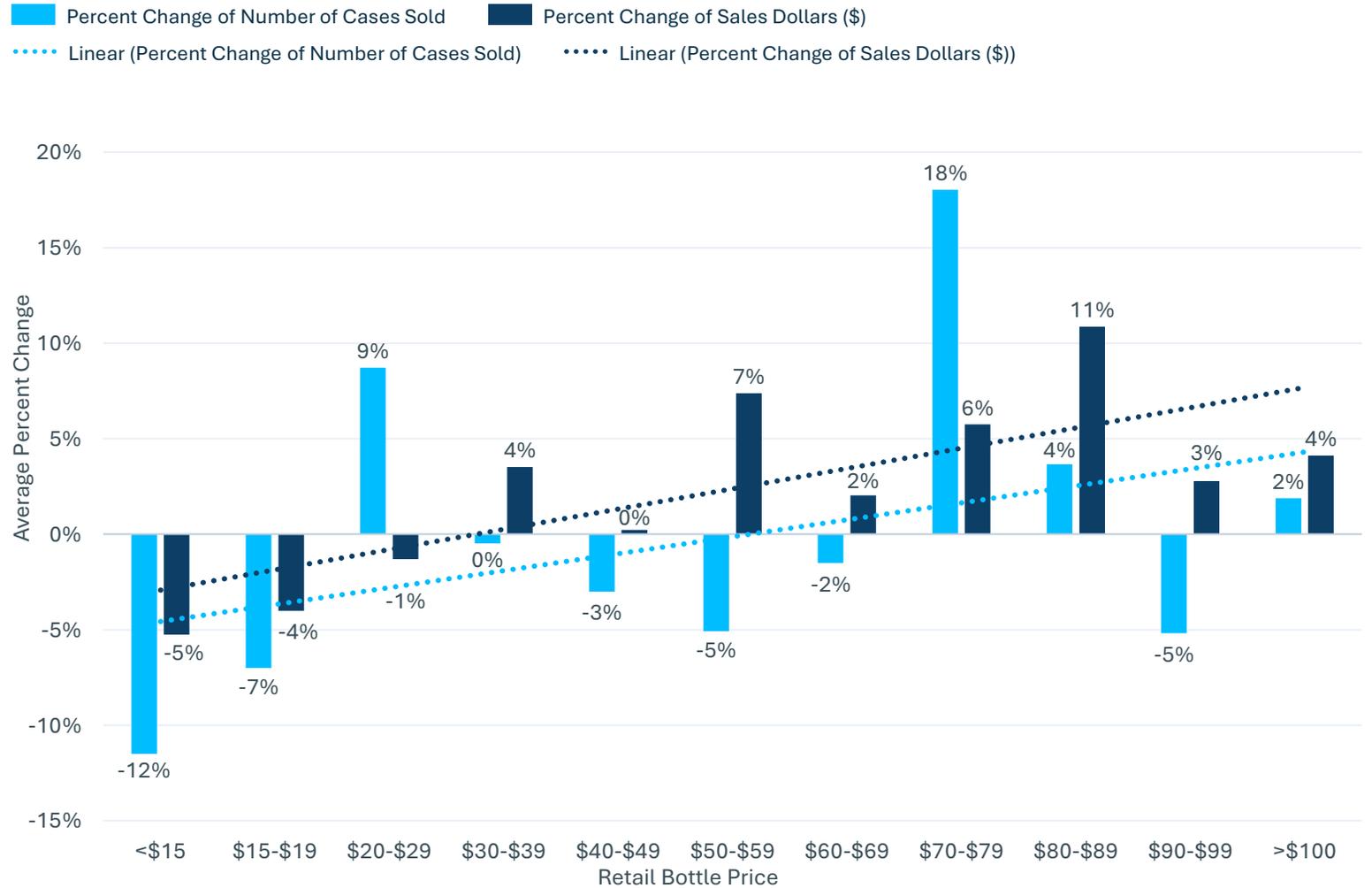
Average Suggested Retail Bottle Price by Region – 5 Year Trend



The best growth rates are \$70-\$90 in DTC

Wineries with lower average selling prices are selling fewer cases and are getting a smaller dollar return. Wineries with higher average selling prices are selling fewer cases, but dollar sales are growing more than case sales.

Change in DTC Cases Sold and Dollar Sales by Retail Bottle Price



Note: Excludes wineries with less than five years' experience.

Source: 2022 Annual DTC Survey

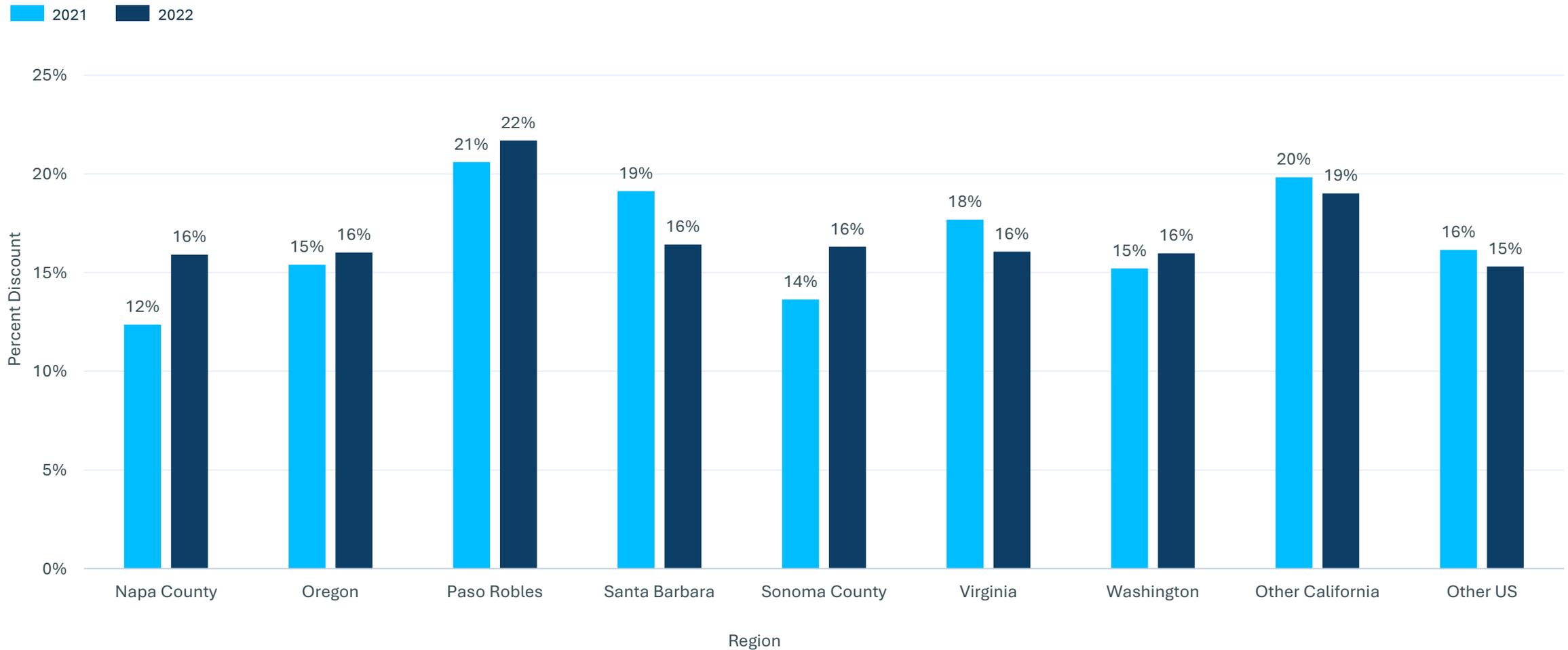


Wine Club



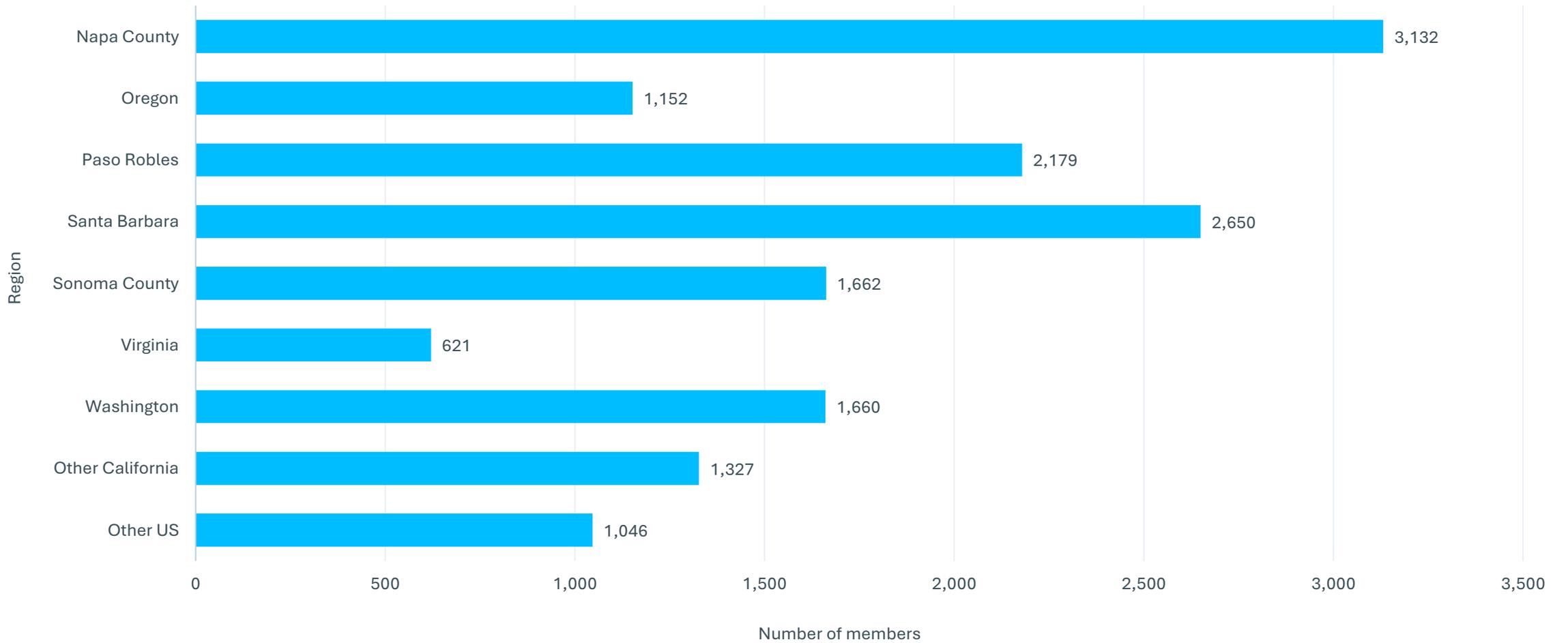
Club discounts today fall into a tight range, averaging 17% in 2022

Discounts for Club Members by Region



Average club size was 1,716 members

Average Wine Club Size by Region in 2022



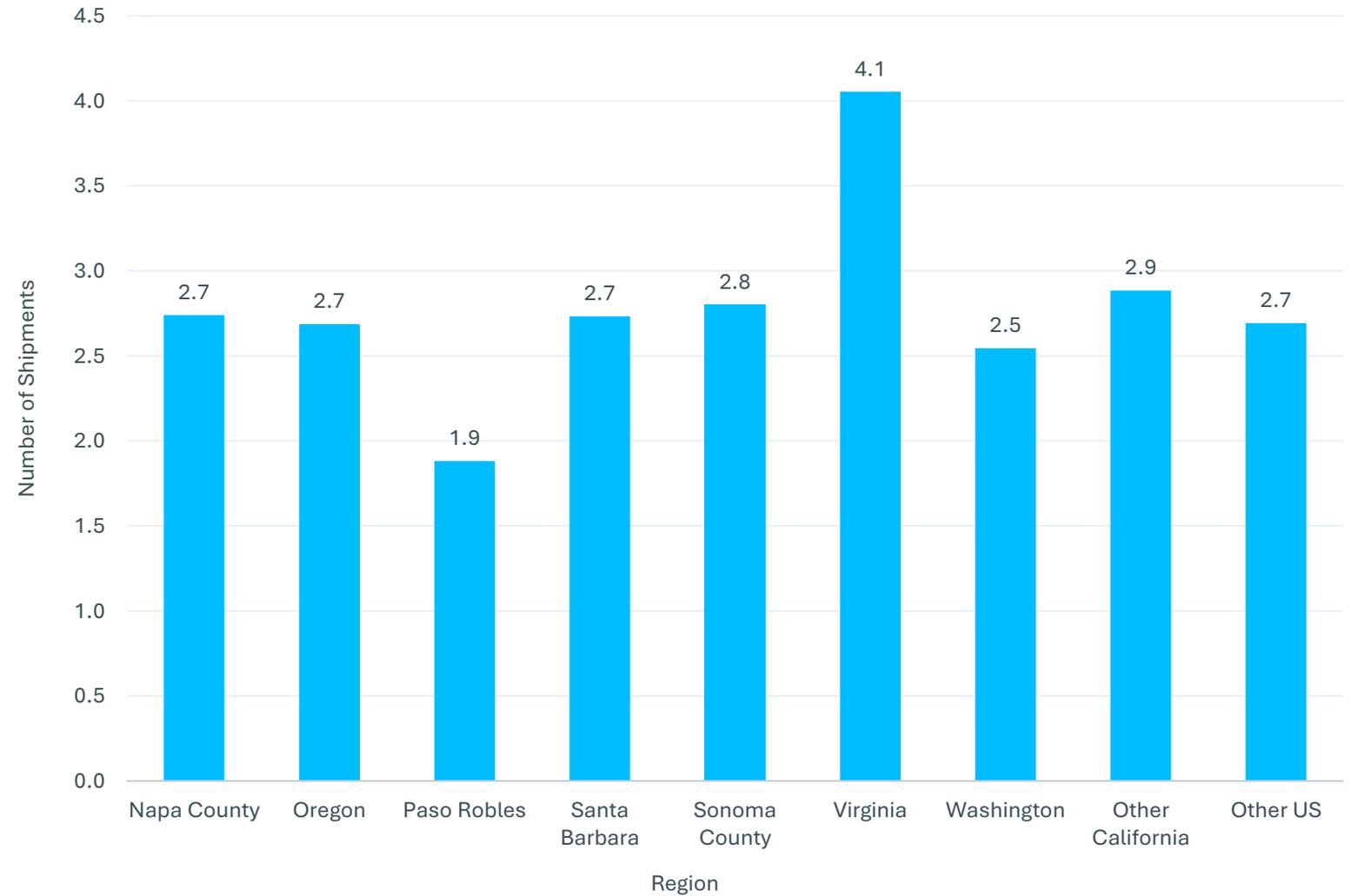
Shipment average is 2.7 per year

Wineries have been experimenting for years to find the optimal number of club shipments. The right number depends on what you measure. If it's length of time in a club, the evidence shows more shipments reduce club duration.

In our view, the most effective approach maximizes the lifetime value of each customer versus an individual shipment.

Discovering what a customer wants in a given year requires engagement. Ask them. We believe engagement, i.e., knowing what your customer wants to purchase, is the secret to extending the length of time they remain a club member.

Average Club Shipments per Year

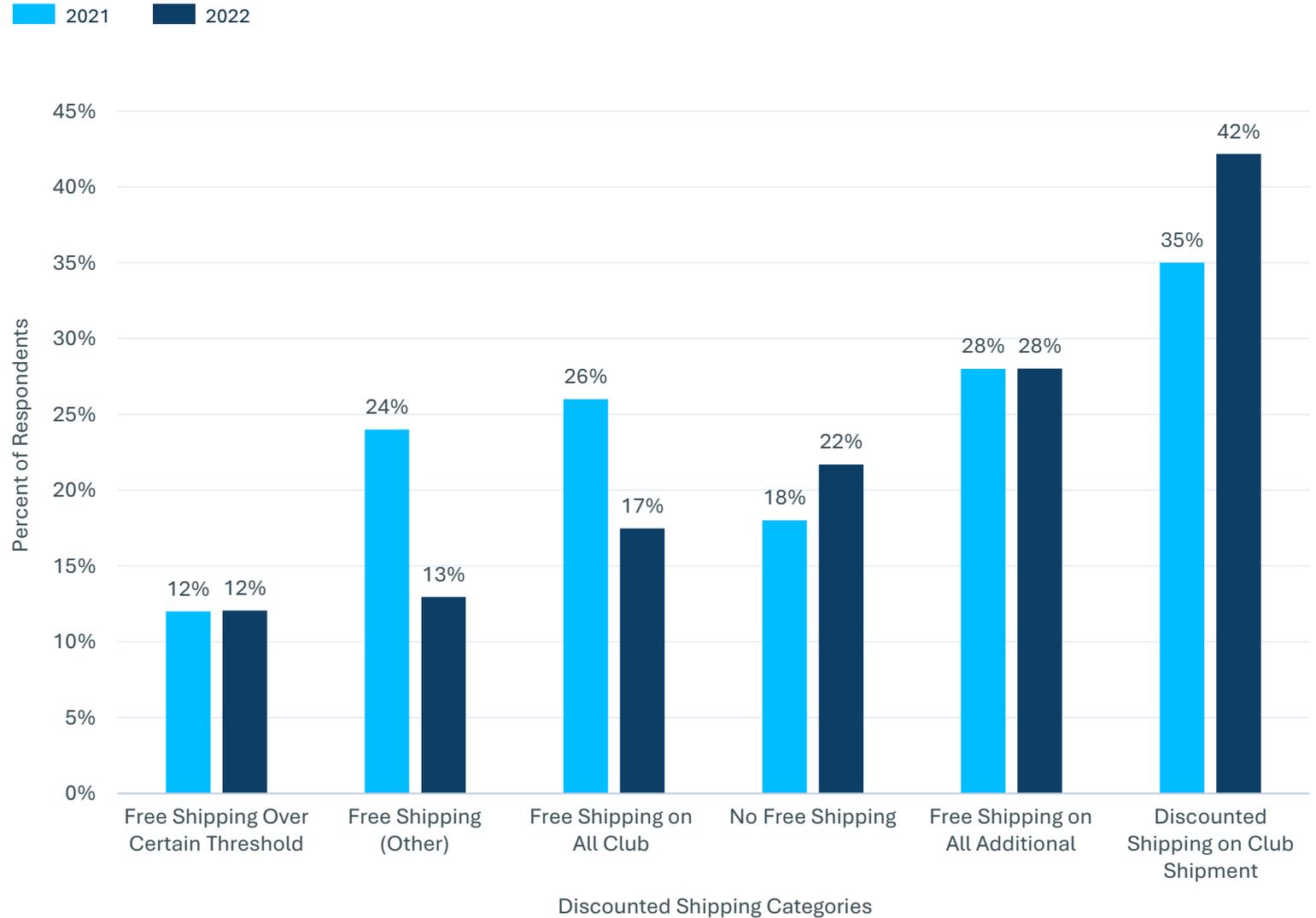


The use of free shipping is declining and being replaced by discounted shipping

During the COVID lockdown in 2020, we had two distinct industry segments. Those selling in grocery stores raised their prices, while those selling through shuttered tasting rooms struggled to get consumers to purchase, particularly early on.

Premium wineries went further with many adding free shipping as an inducement. Since reopening started, that has gradually reversed but consumers are still accustomed to free shipping. The compromise is to offer more discounted shipping.

Wineries' Use of Discounted Shipping for Club Shipments





Wine Club Member Growth and Lifetime Value



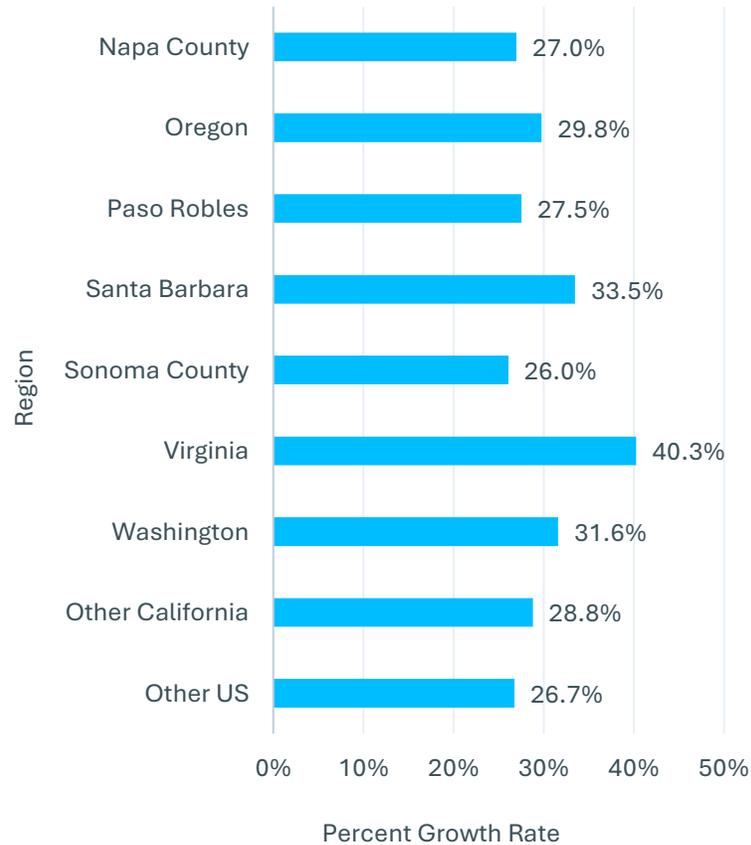
One of the most important club metrics is churn

It's useful to look at the growth in new club members along with attrition rather than net growth. It's far more profitable to grow a club by 5% along with 5% attrition, compared to growing a club 20% with 20% attrition. The latter instance has too much churn, requiring more overhead spending.

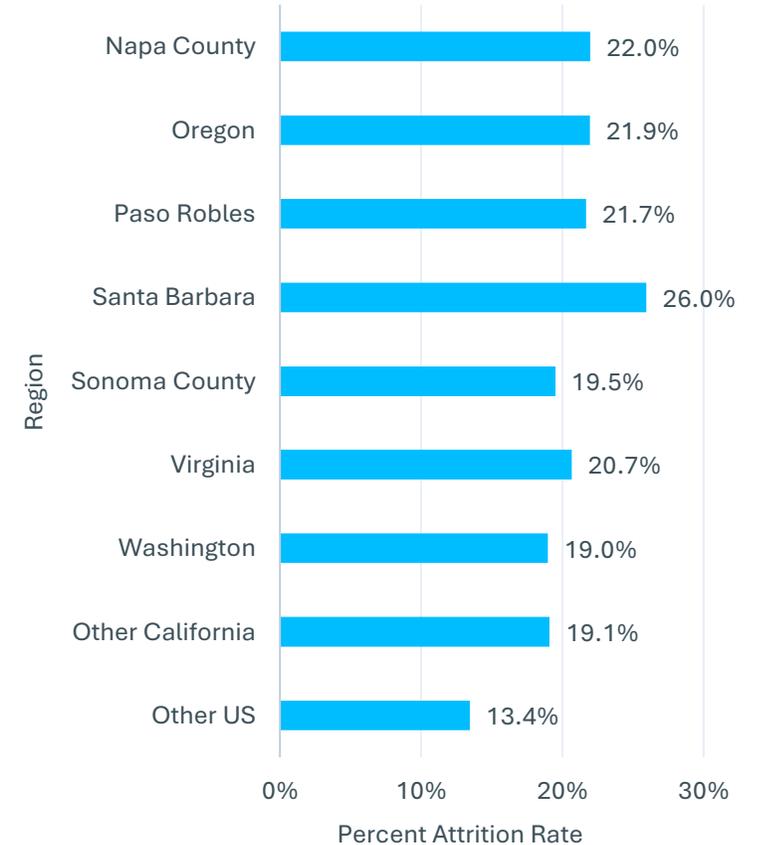
While wineries in all regions are adding new club members more quickly than they are losing them, the rate of churn is uncomfortably high and the average attrition is 1% higher this year than last.

Club Member Growth Rate and Attrition Rate

New Wine Club Member Growth Rate



Wine Club Attrition Rate



New Wine Club Member Growth Rate: New wine club members acquired in 2022, divided by starting number of wine club members in 2022.

Attrition Rate: Number of wine club members lost during 2022, divided by number of wine club members at the beginning of 2022.

Excludes wineries with less than five years' experience.

Source: 2022 Annual DTC Survey

2023 DIRECT-TO-CONSUMER WINE SURVEY: REPORT, RESULTS AND BENCHMARKS

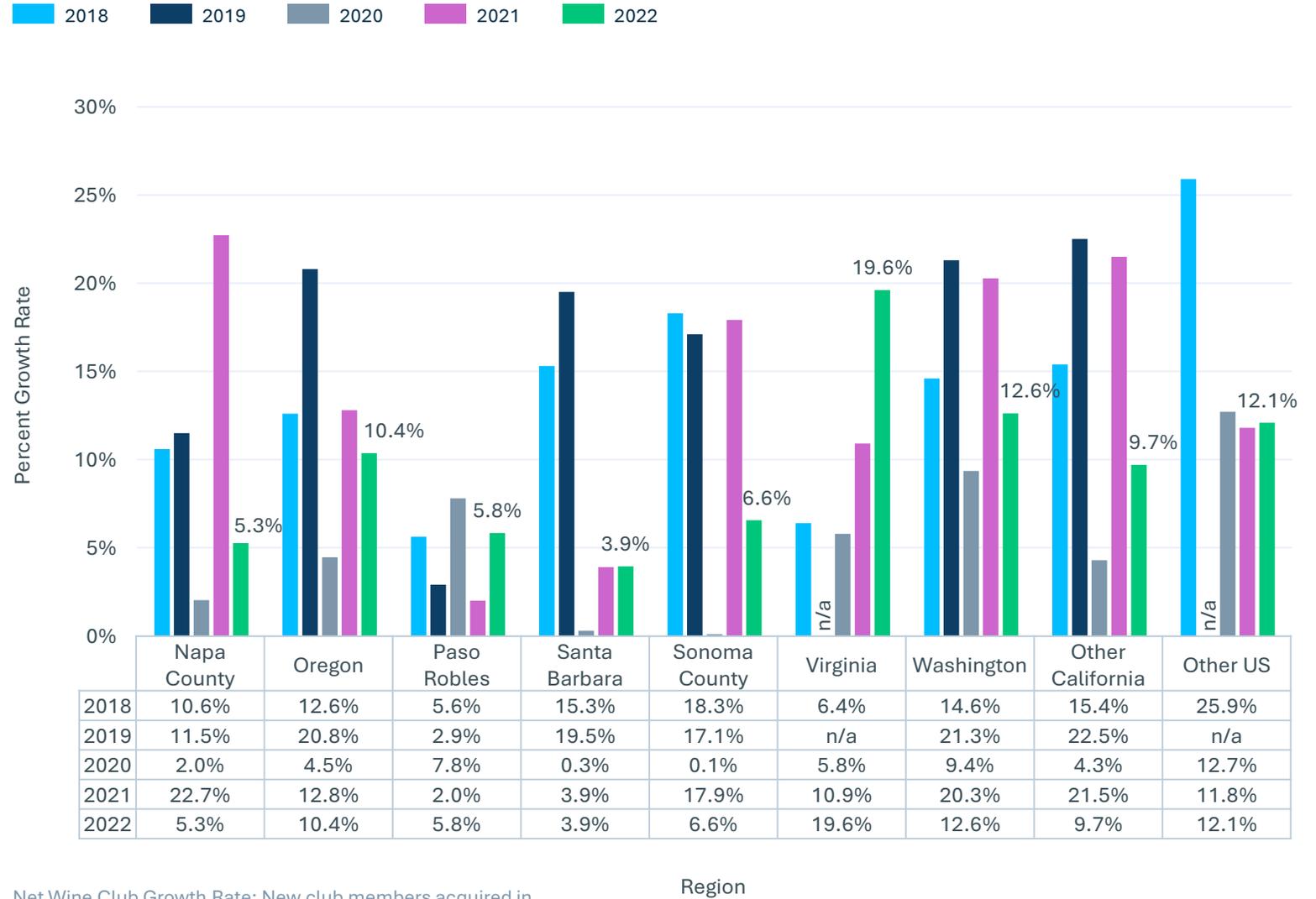
No trend noticed in growth but trends are clouded by COVID echoes. 2021 was a strong comp for 2022.

Wine club sales were successful during the COVID-19 period particularly during the lockdown. Even though attrition was slightly higher in the spring of 2020 during the onset of lockdowns, net membership ended the year higher. However, there was a lower growth rate versus prior years.

Growth in club memberships were spectacular in 2021 in part to tasting room reopenings, but also due to the growth in digital club member acquisition.

Though lower in 2022, it's wasn't reasonable to expect to continue with the 2021 growth rate.

Trend of Wine Club Member Net Growth Rate



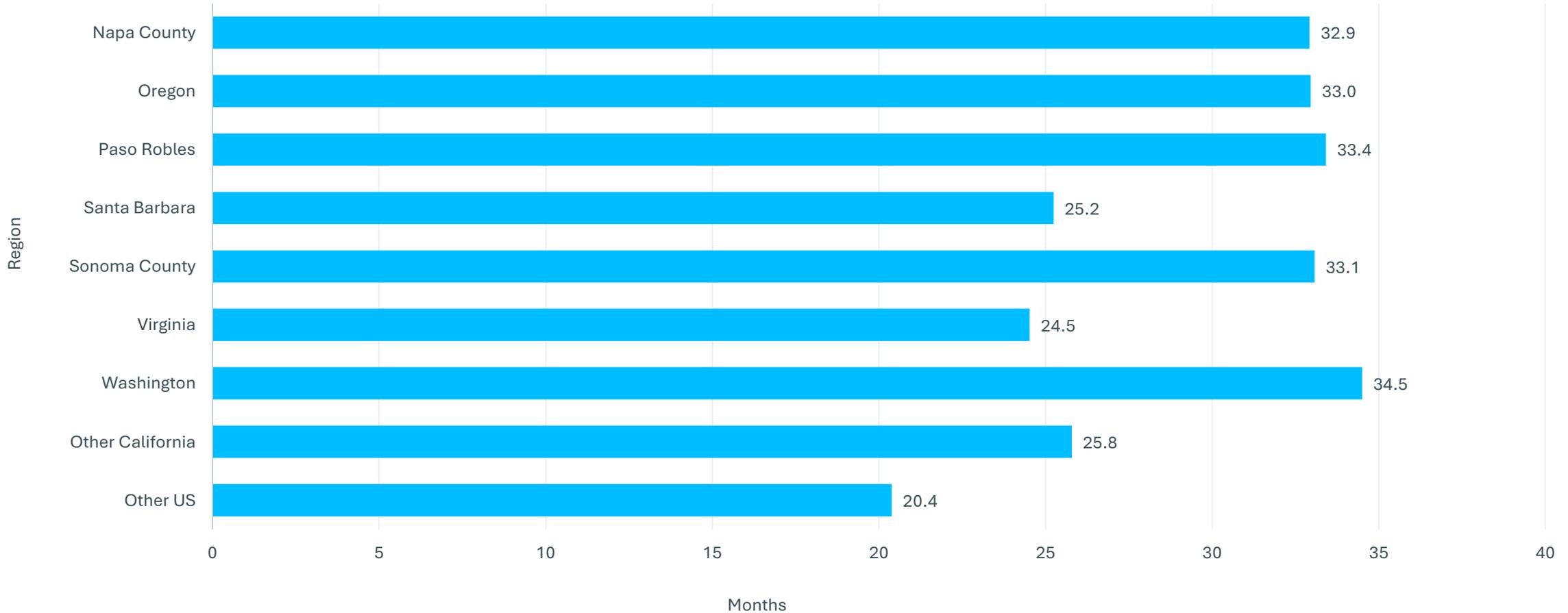
Net Wine Club Growth Rate: New club members acquired in given year, less lost club members in that year, divided by base membership level at the beginning off that year.

Excludes wineries with less than five years' experience.

Source: Annual DTC Survey, 2017-2022

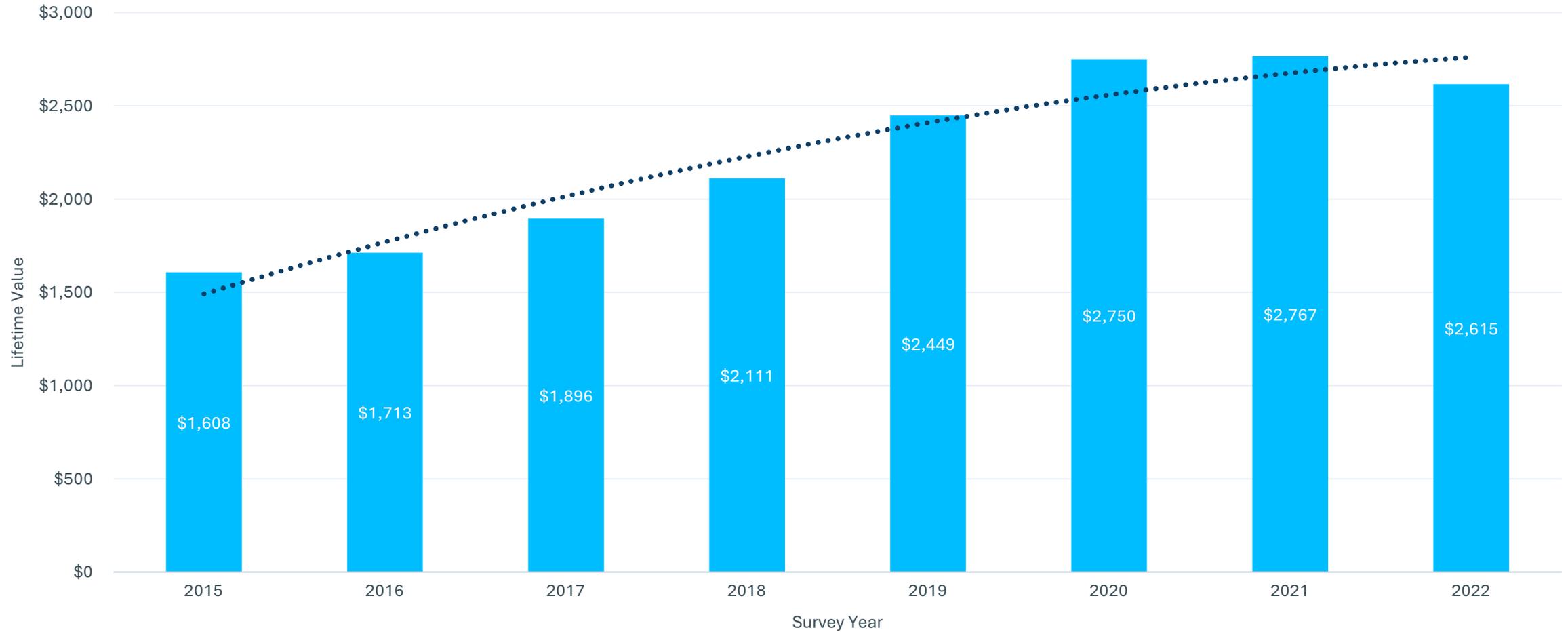
While average length of membership is up about five months during the last ten years, duration is now stable

Average Length of Membership by Region



It's difficult to call 2022's lower lifetime value a trend but it is the first decline

Wine Club Member Lifetime Value



2022 lifetime value measures are mixed. Long term, however, the metric is increasing still.

Wine Club Member Lifetime Value by Region





Urban vs. Winery Tasting Rooms



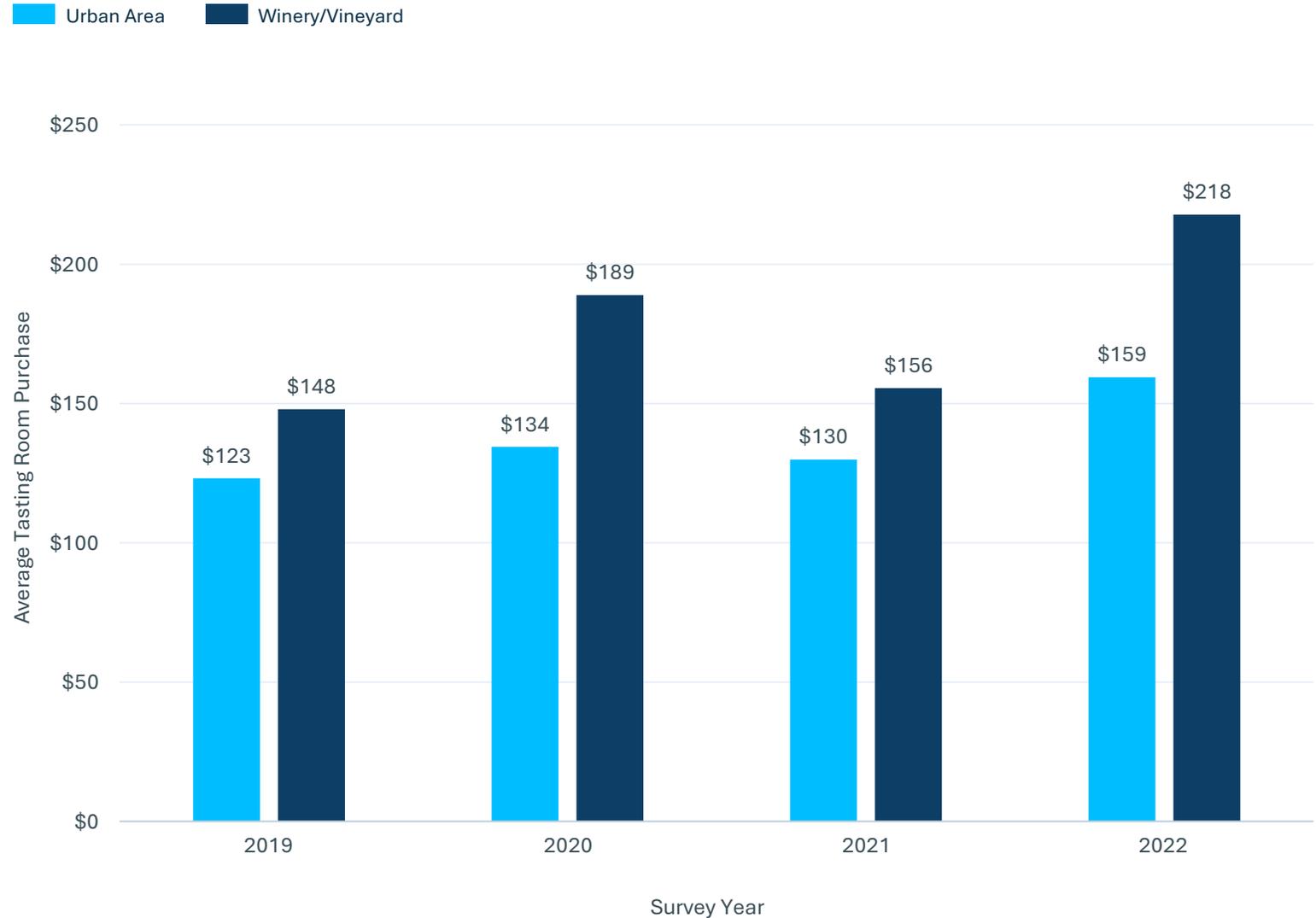
Purchases at wineries are always higher than tasting room purchases in urban areas

Early on, urban tasting rooms in wine regions struggled to find their identity. While wineries had good traffic during the day, urban tasting rooms would often remain empty.

Today, many owners are discovering that an urban location should have a different feel. For higher-priced regions, an urban tasting room is an opportunity to present an entry-level experience — priced more affordably and often geared to younger consumers. It can also be an oasis at night.

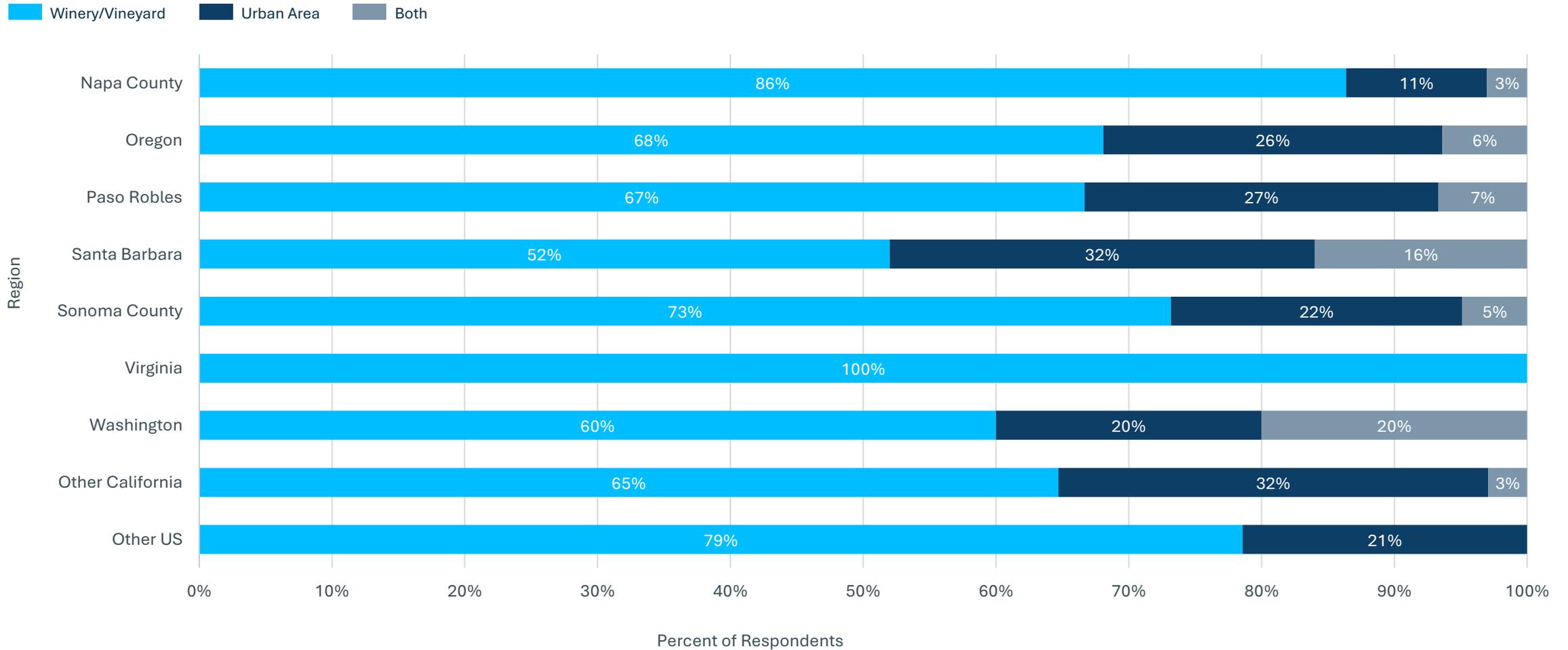
Average tasting fees were up about 20% in urban tasting rooms and up a dramatic 40% at the wineries.

Average Wine Purchase by Tasting Room Location



Each region has unique situations and regulations that define the use of urban tasting rooms

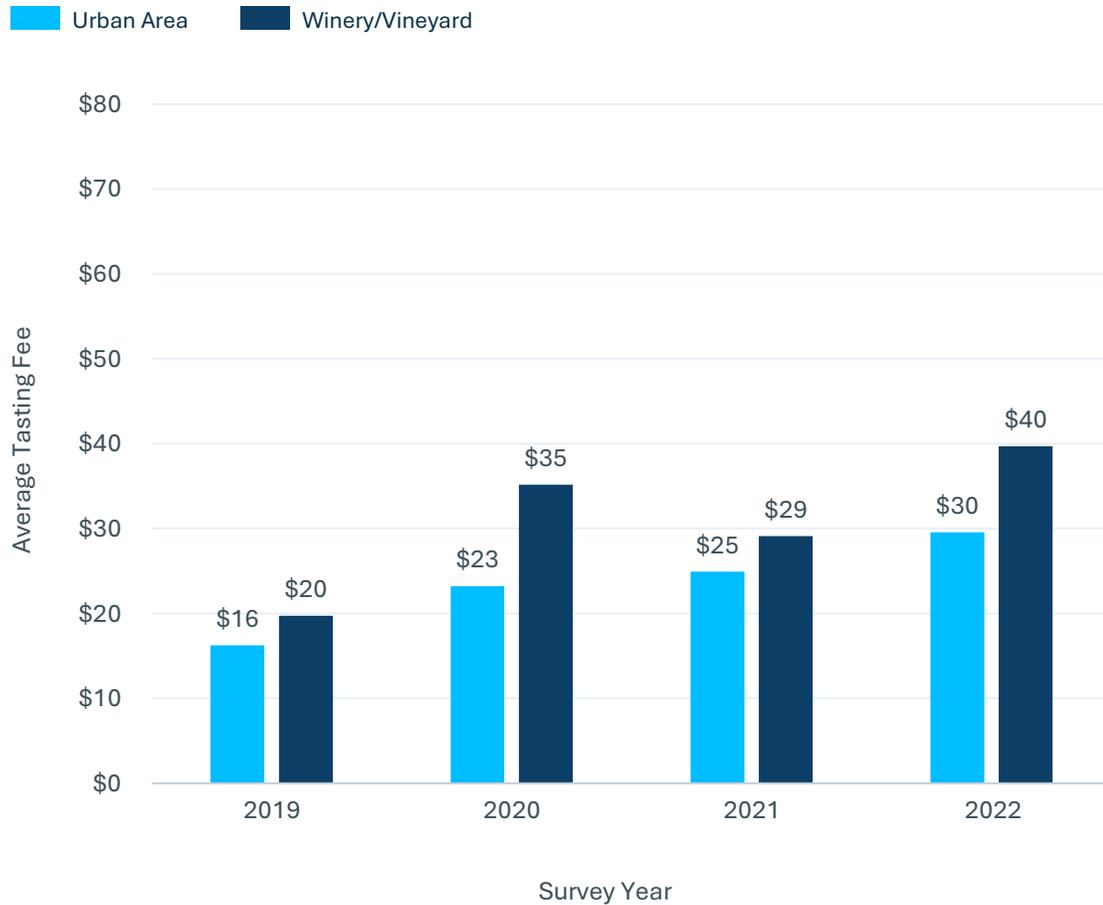
Tasting Room Locations by Region



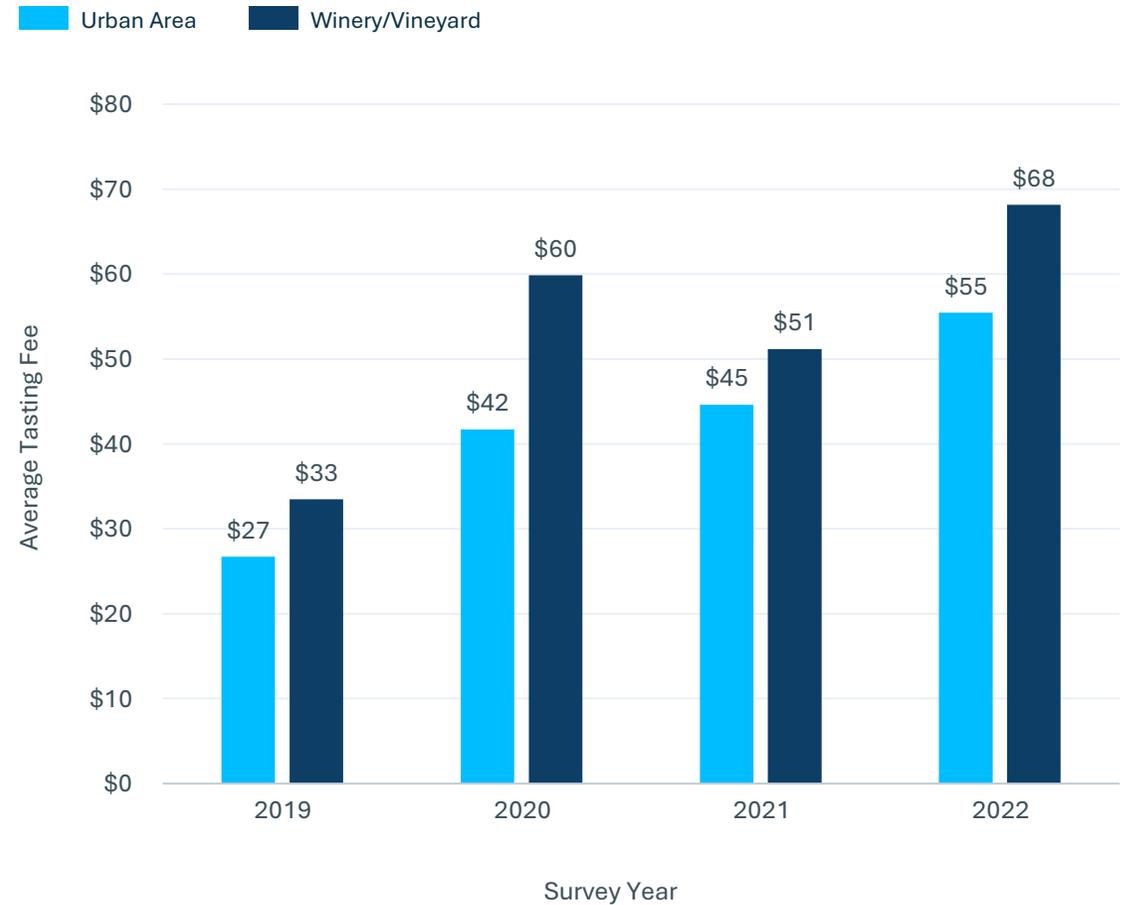
Different experiences should dictate varying fee structures

Average Tasting Fees by Tasting Room Location

Average Standard Tasting Fee



Average Reserve Tasting Fee



Urban tasting rooms are starting to catch their stride

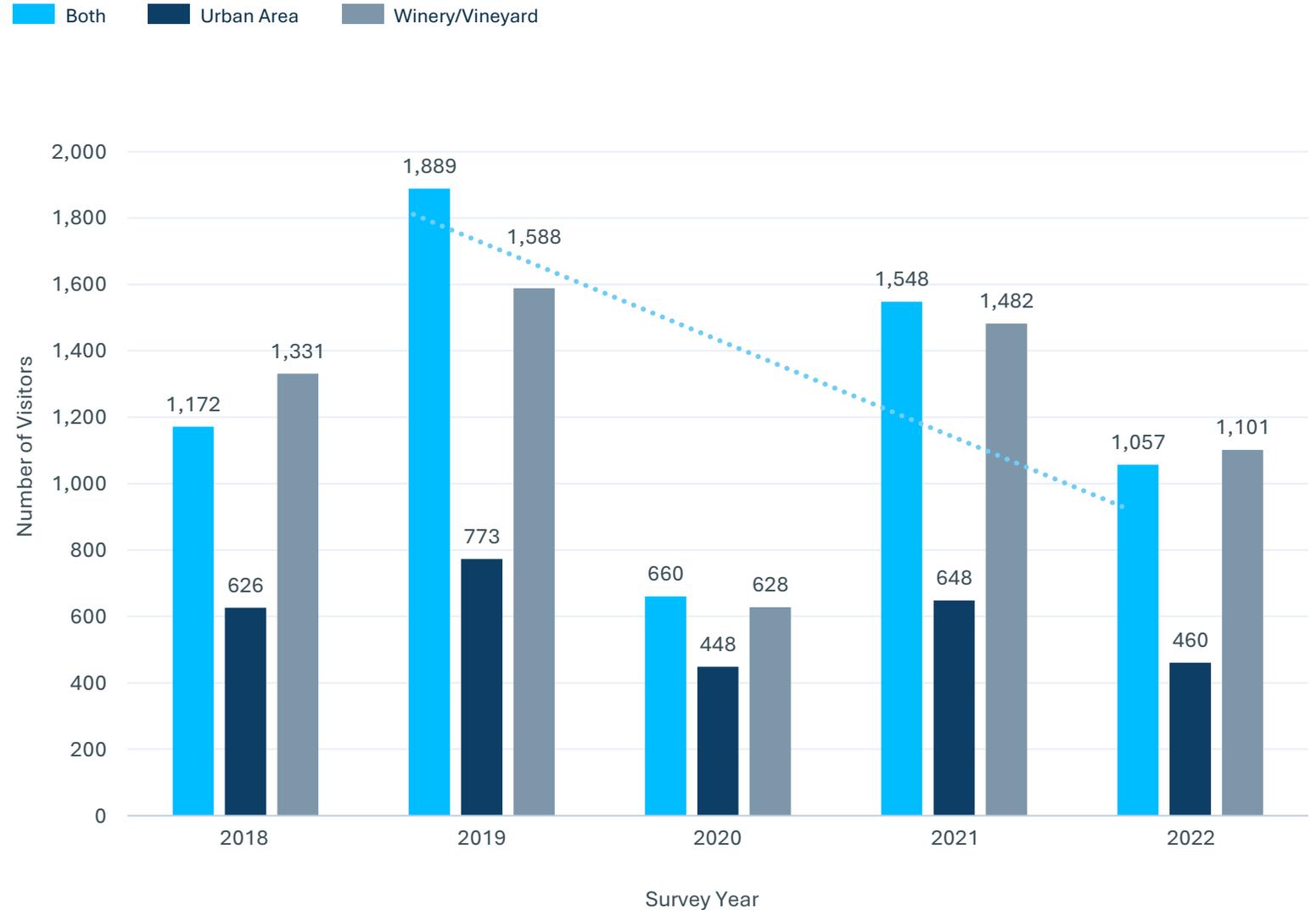
As urban tasting rooms opened in different regions over the past decade, the experiences provided were found to be less robust than that at the wineries.

Conversion rates were about 25% to 35% higher in winery tasting rooms compared to urban tasting rooms, until 2021.

This past year, results reversed, with conversion rates in urban tasting rooms exceeding those at wineries. At a minimum, this shows the benefits of having a second, more casual tasting room in a tourist region.

2023 visitation numbers suggest they may be lower than 2022.

Average Monthly Visitors by Tasting Room Location



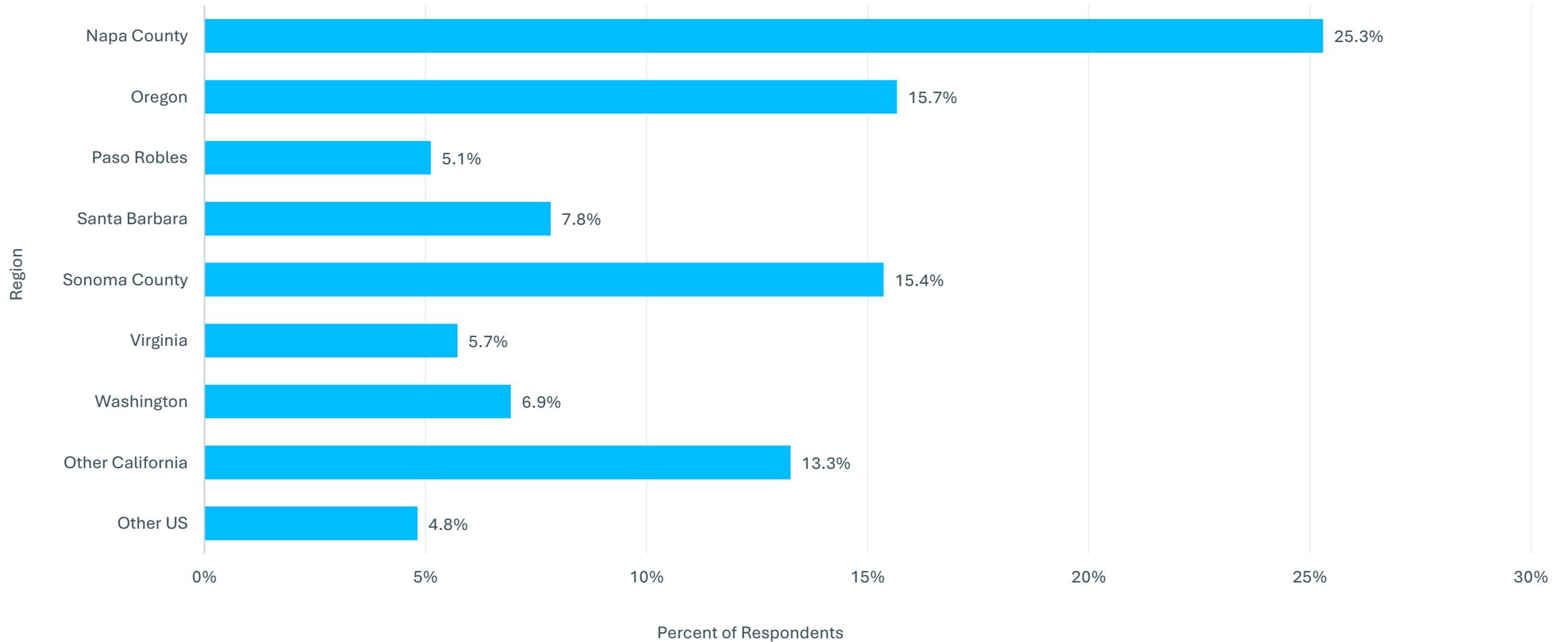


Survey Respondent Profile



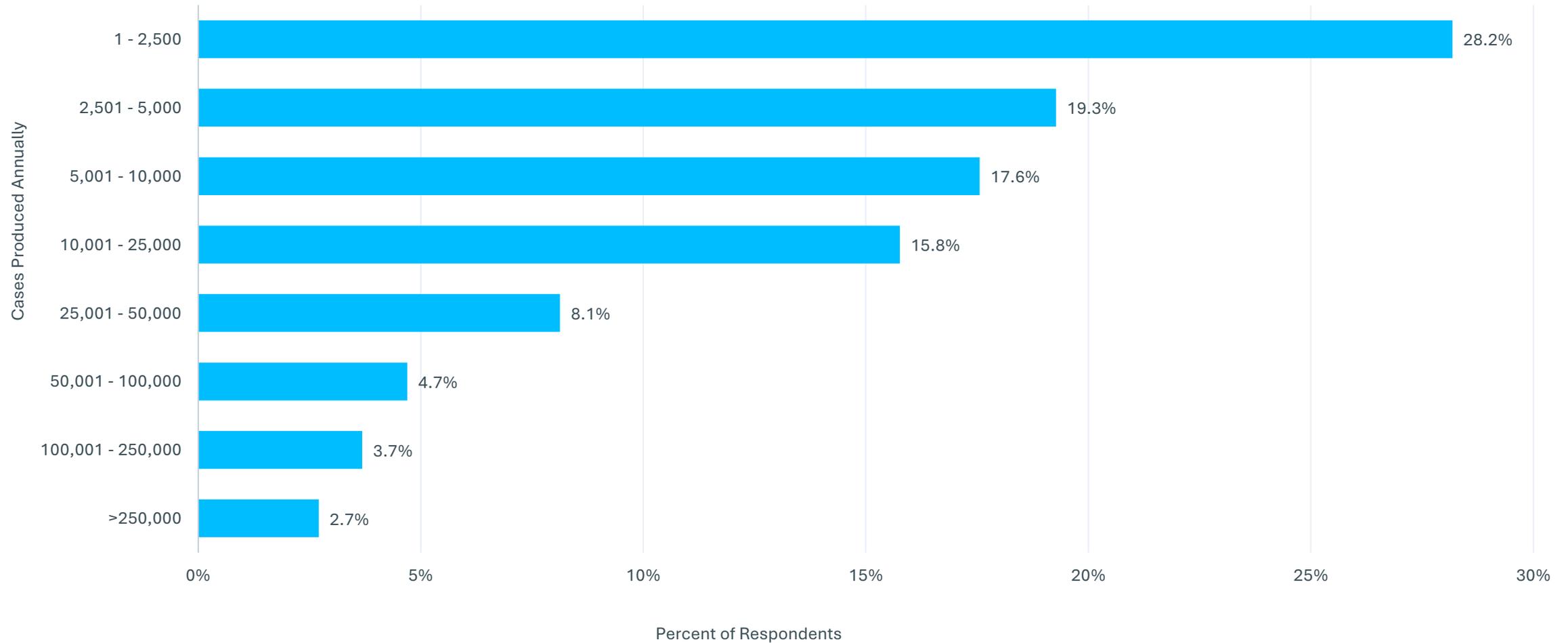
There were 332 total respondents to this year's survey spread across various regions

Regional Participation in Survey



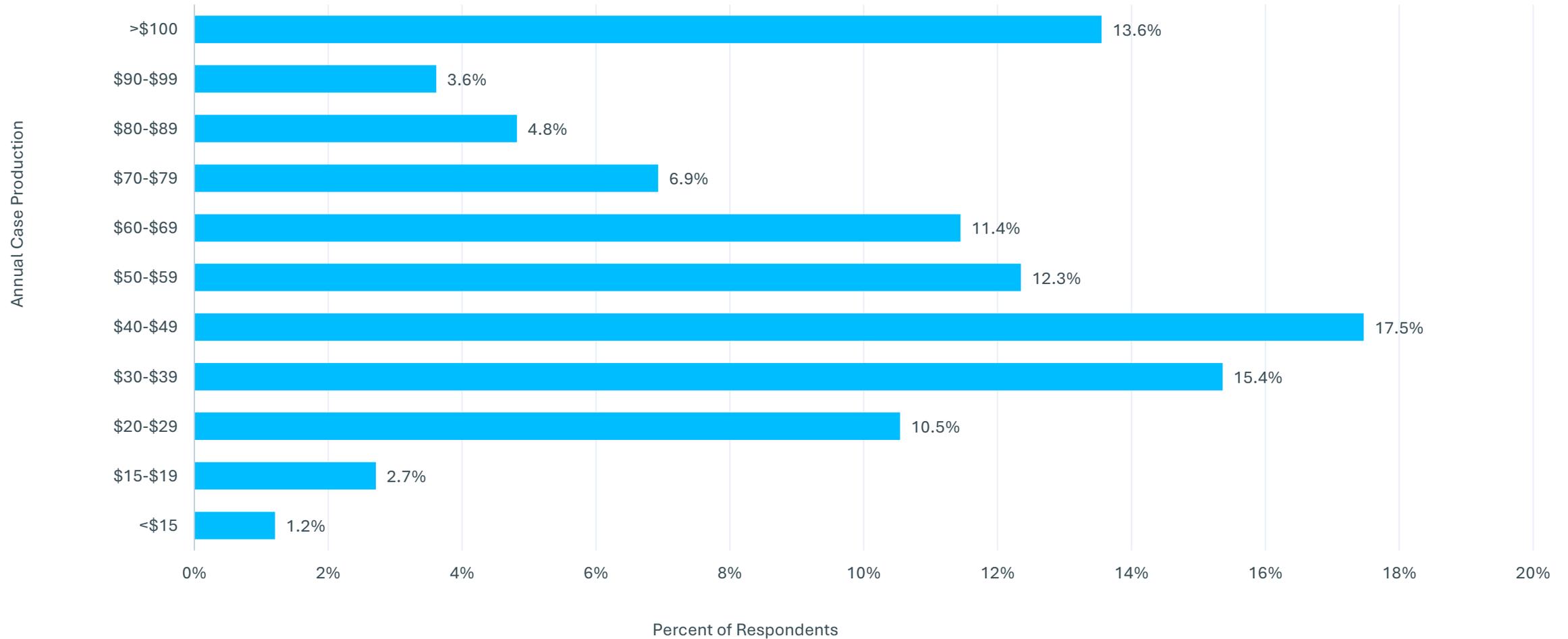
Close to half of respondents make less than 5,000 cases

Participation by Annual Case Production Levels



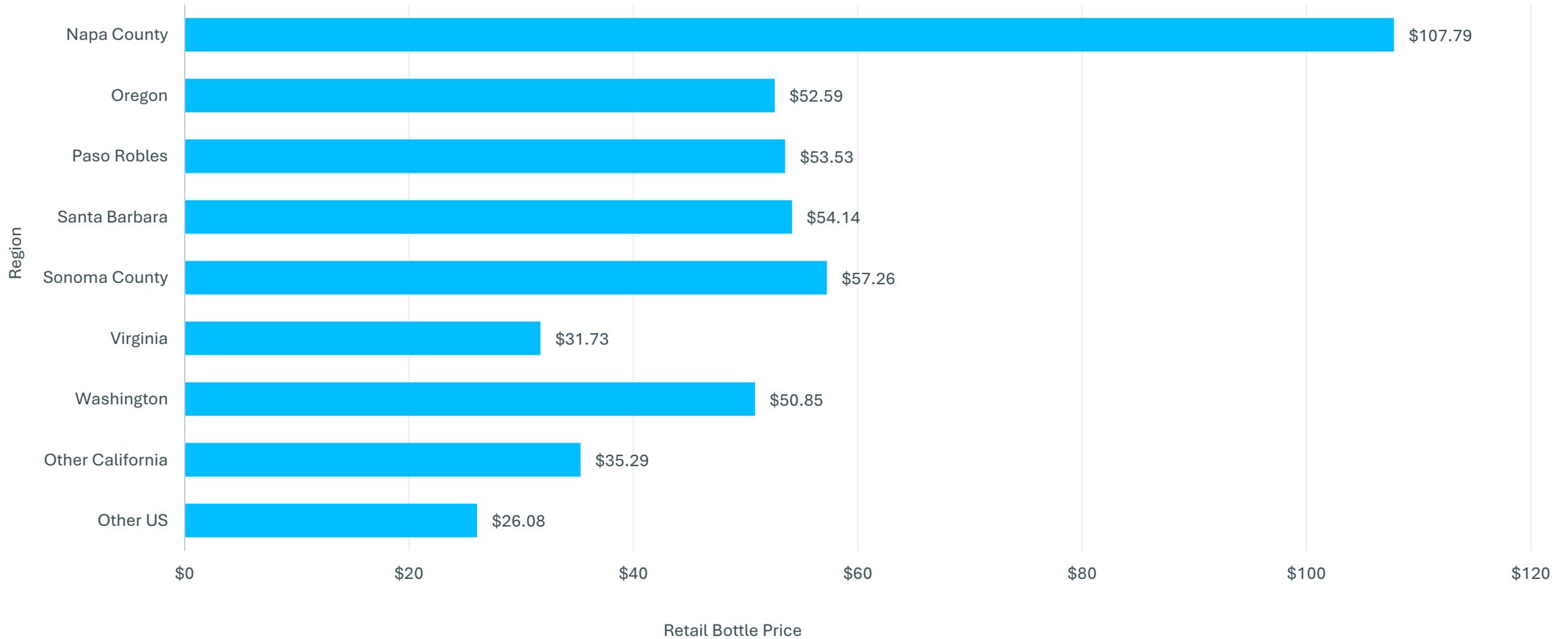
Bimodal average pricing with peaks above \$100 and between \$30 - \$70

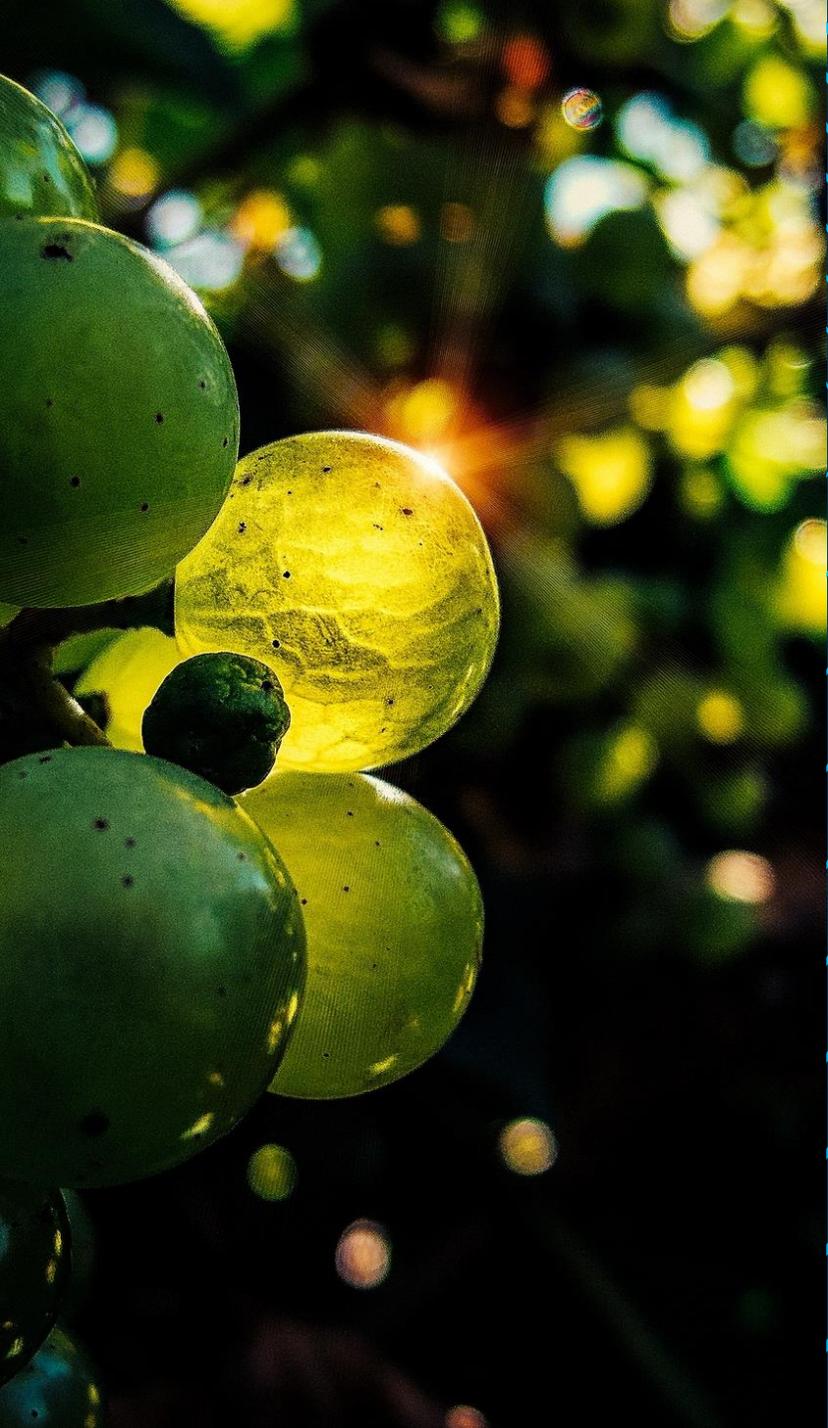
Participation by Average Suggested Retail Bottle Price



Napa County is an outlier in the respondent base for price

FY 2022 Average Suggested Retail Bottle Price by Region





A Division of First Citizens Bank

About Silicon Valley Bank's Wine Division

Silicon Valley Bank, a division of First-Citizens Bank & Trust Company is the premier commercial bank for emerging, growth and mature companies in the technology, life science, venture capital, private equity and premium wine industries. Its Wine Division specializes in commercial banking for premium wineries and vineyards and the industries that support them.

SVB has the largest team of commercial bankers dedicated to the wine industry of any bank nationwide. Founded in 1994, SVB's Wine Division has offices in Napa, Sonoma and Oregon. It serves clients in the fine-wine producing regions of California, Oregon and Washington.

By virtue of its dedication to the wine industry, Silicon Valley Bank is able to support its clients consistently through a range of economic cycles, and offer guidance on many aspects of their businesses beyond traditional banking services. Silicon Valley Bank, a division of First-Citizens Bank & Trust Company is a member of the FDIC and the Federal Reserve System. More information on the company can be found at [svb.com](https://www.svb.com).



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