

VINOSHIPPER[®]

CRAFT WINE DIRECT SALES
ANNUAL REPORT

2024

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SUCCESSING WITHIN REGULATORY BOUNDS

2023 emerged as a pivotal year for the American Direct-to-Consumer (DTC) wine market. It was marked by resilience and innovation, as wineries navigated through the complexities of a market shaped by evolving consumer preferences and persistent legislative constraints. The report highlights the sector's success in adapting to these dynamics, underscored by growth in both average order values and reaching consumers where they are.

Nonetheless, this tale of growth plays out in the shadow of historical three-tier regulations, which continue to act as bottlenecks, impeding the sector's full potential. The report highlights a significant paradox; while DTC sales continue to climb, they are simultaneously throttled by legislation that goes back to a bygone era, stifling growth and innovation. There is a clear call for regulatory reform from throughout the industry, advocating for a market where the sector's capabilities are not just maximized but unleashed.

Key Information

- This report offers insights into the American DTC wine market, serving both as a historical account and a strategy guide.
- In 2023, wineries shipped to an average of 13 states, with individual state averages ranging from 6 to 23.
- There was a noticeable trend of increasing average order discounts, hinting at a strategy to boost larger purchases through discounts.
- Orders outside of wine clubs consistently showed a higher average order value (AOV) than club orders, suggesting an opportunity for producers to enhance their club offerings or develop more exclusive tiers to match rising customer spending habits.
- Customized club orders typically included 1-2 more units than standard club orders.
- There was a 6.37% increase in overall average order values in 2023, despite no change in the average number of units per order.
- There continues to be a shift towards premium products, witnessed by an uptick in spending for higher-priced wines.
- The sparkling white wine category saw remarkable growth, with a sales value increase of 26% and a 5% increase in liters sold.

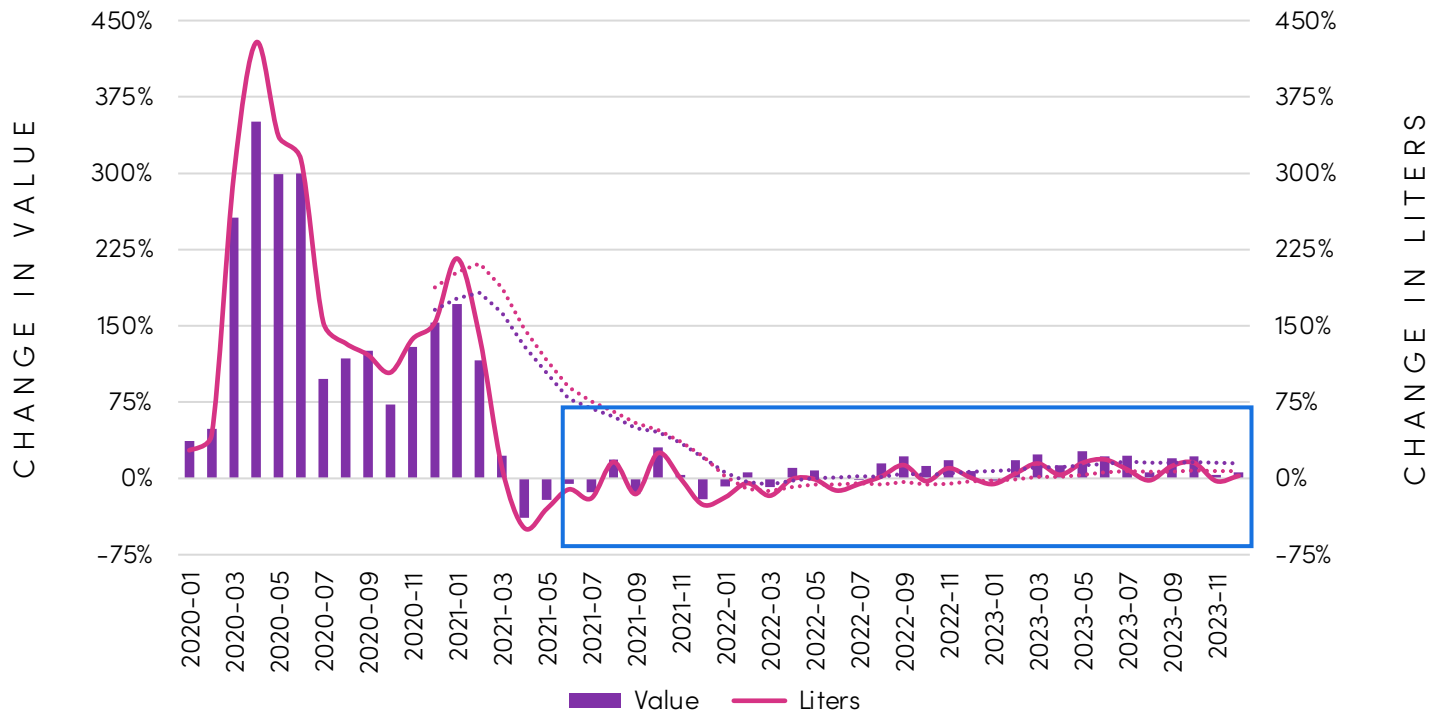
About the Data

The statistics in this report are based on direct-to-consumer (DTC) transactional data from 3,000 clients across 47 states and Washington D.C. The data does not rely on extrapolations or survey data. Other than where stated, this report contains data on still and sparkling wine.

For data on the 2023 Cider Industry, find our latest report [here](#).

PERCENT CHANGE IN DTC VALUE & LITERS

Prior year, same month



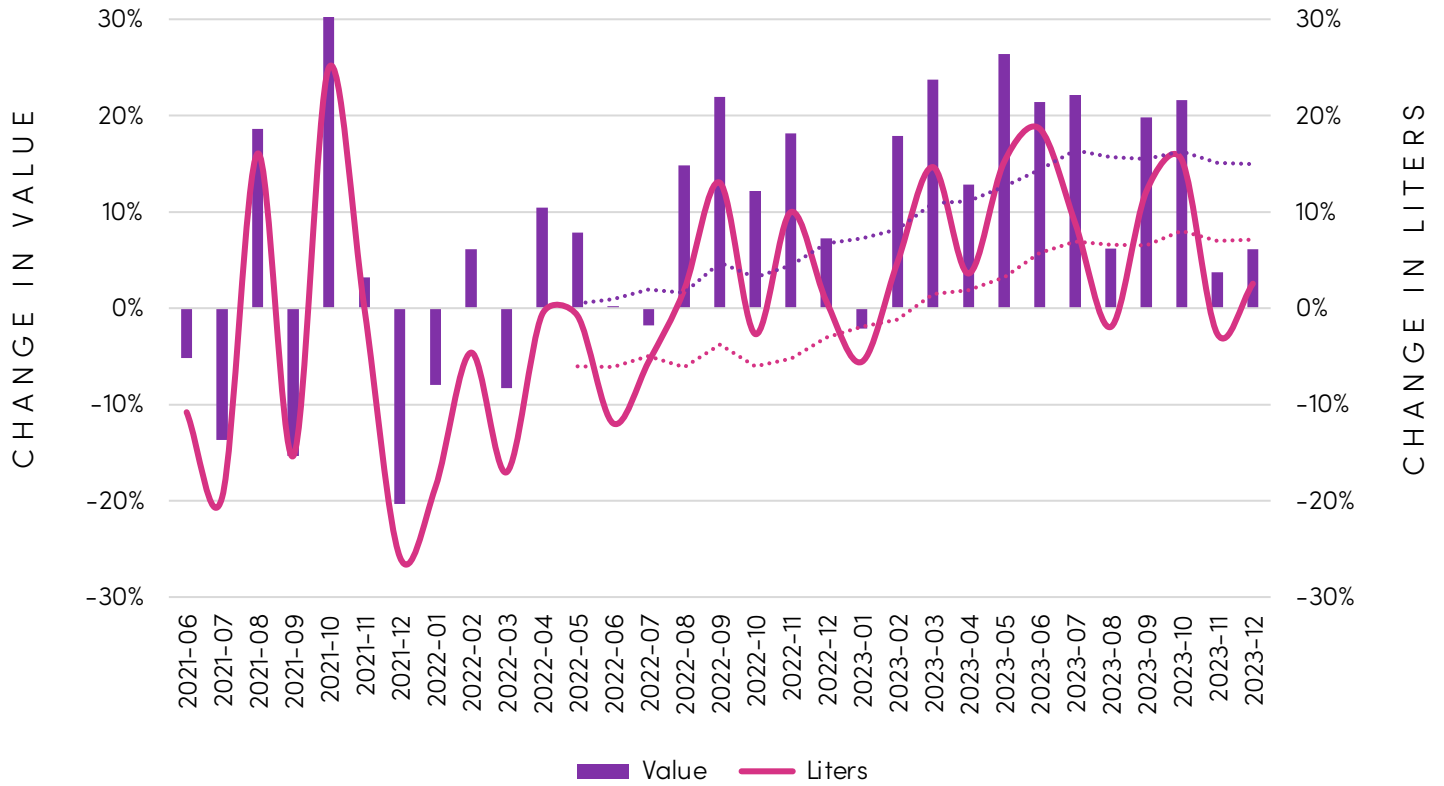
The chart shows Direct-to-Consumer (DTC) wine sales in the USA and captures a period marked by significant growth and more recently (2022/2023) a rebound in volumes. The sharp spike in both value and liters sold was during the 2020 COVID-19 pandemic and showed how lockdowns and social restrictions drove consumers to purchase wine online directly from producers. Following this surge, there was a noticeable retraction in the growth rate, and a small reversal from the previous year's extreme high growth rates.

Mid-2022, seen in the chart on the following page, marked the beginning of a renewed upward trend in sales value, persisting through 2023, suggesting a robust recovery and that new consumer habits had been formed during the pandemic. Volume sales lagged slightly but moved back into positive growth territory by mid-2023. This divergence between value and volume suggests that while consumers may be buying less quantity, they are opting for more premium products.

The continuous growth in value despite the volume lag also points to average price increases. Further data in the report indicates that consumers are spending more on higher priced wines, which could be a combination of the industry passing on inflationary costs and a possible shift in consumer preference towards higher-priced wines.

PERCENT CHANGE IN DTC VALUE & LITERS

Continued



ORDER AVERAGES

Average Order Value, Price per Liter, Units per Order, Average Order Discount

W I N E

	AOV*	Price/Liter	Units/Order	Avg Order Disc
2018	\$115.31	\$28.98	5.3	12%
2019	\$112.39	\$29.61	5.1	14%
2020	\$105.30	\$26.36	5.4	12%
2021	\$112.89	\$28.72	5.2	13%
2022	\$127.06	\$31.78	5.3	14%
2023	\$135.15	\$34.11	5.3	15%

M E A D

	AOV*	Price/ Liter	Units/Order	Avg Order Disc
2018	\$80.76	\$37.76	4.1	8%
2019	\$82.03	\$36.95	4.2	11%
2020	\$85.26	\$35.02	4.1	9%
2021	\$89.12	\$37.10	4.2	8%
2022	\$86.07	\$37.37	4.0	9%
2023	\$86.95	\$39.46	3.8	10%

Wine

The Average Order Value (AOV) has increased from 2018 to 2023. While the units per order remain relatively stable and the price per liter has increased, it implies customers are either trading up for more expensive bottles or producers are increasing their prices over that period. There has also been a gradual increase in the average order discount over the years, possibly indicating a strategy to encourage larger cart values through product discounts.

Mead

The Average Order Value (AOV) for mead has remained relatively level since 2022. The changes that have happened since then are a reduction in the average number of units per order and an increase in the price per liter to a five year high. The increase in average price per liter is what has been driving the AOV. Similar to wine, this has come from an increase in product prices along with customers trading up for higher priced goods.

*Average Order Values include discounts

AVERAGE ORDER VALUE

Cart Type

W I N E

	Online Store	Club	POS
2018	\$109	\$87	\$140
2019	\$109	\$92	\$142
2020	\$104	\$95	\$127
2021	\$111	\$108	\$136
2022	\$131	\$113	\$161
2023	\$136	\$124	\$168
1 Year Change	3.7%	9.7%	4.3%
5 Year Change	24.4%	41.3%	20.0%

M E A D

	Online Store	Club	POS
2018	\$86	\$78	\$52
2019	\$84	\$83	\$66
2020	\$86	\$86	\$76
2021	\$92	\$82	\$105
2022	\$94	\$78	\$92
2023	\$100	\$80	\$67
1 Year Change	7.2%	2.3%	-27.2%
5 Year Change	16.6%	2.5%	28.2%

AVERAGE ORDER VALUE

Continued

The tables presented above illustrate the Average Order Value (AOV) across cart types for wine and mead, capturing the shifts in consumer behavior and economic trends over recent years.

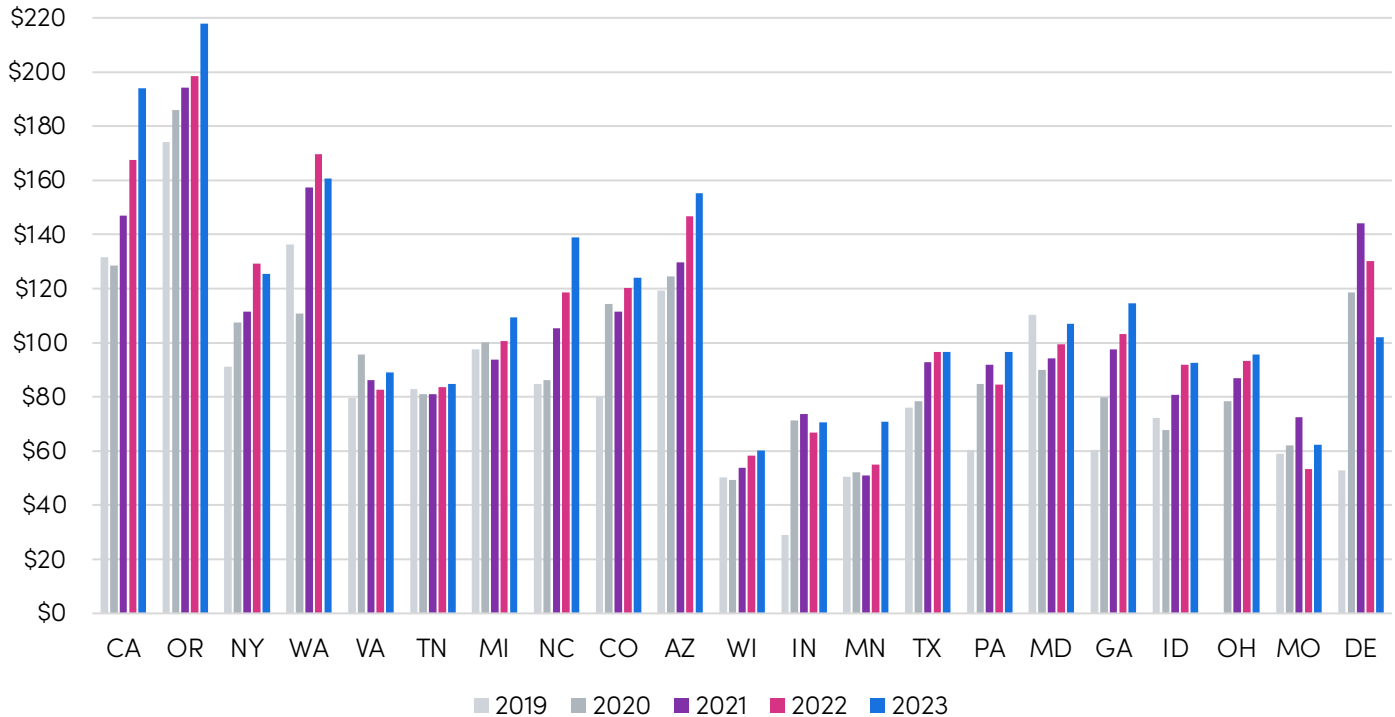
In the wine sector, a consistent increase in AOV is observed, particularly in club sales. This trend not only reflects strong consumer loyalty but also indicates a shift towards premium products. The notable rise in club sales AOV in 2021 can be partially attributed to the introduction of customizable wine club shipments through Vinoshipper, marking its first full year of operation.

Additionally, the growth in AOV for online wine sales underscores the lasting impact of digital marketing and e-commerce. These channels have been crucial, especially following the market shifts that occurred from 2019 to 2020. It is interesting to note that many Point of Sale (POS) transactions do not involve shipping, suggesting that customers often redirect the potential shipping costs, usually between \$20-\$40, towards purchasing additional products.

Mead's AOV reveals a steady appreciation in value through online sales, hinting at a growing market niche that appreciates the uniqueness of mead. However, the modest increase in club sales AOV, coupled with fluctuations in POS sales, suggest that mead is still in the process of establishing its core consumer base.

AVERAGE ORDER VALUE

Clubs



California and Oregon concluded the year with the highest Average Order Values (AOVs) for club orders, both around the \$200 mark. The high AOVs in these states are attributed to an increase in both the number of items per club shipment and the average price of these items. There was a period of price decline in 2020, but in Oregon, this was offset by customers adding additional units to club shipments so AOVs continued to rise. Meanwhile, in California, the number of units per order remained stable, thus AOVs declined.

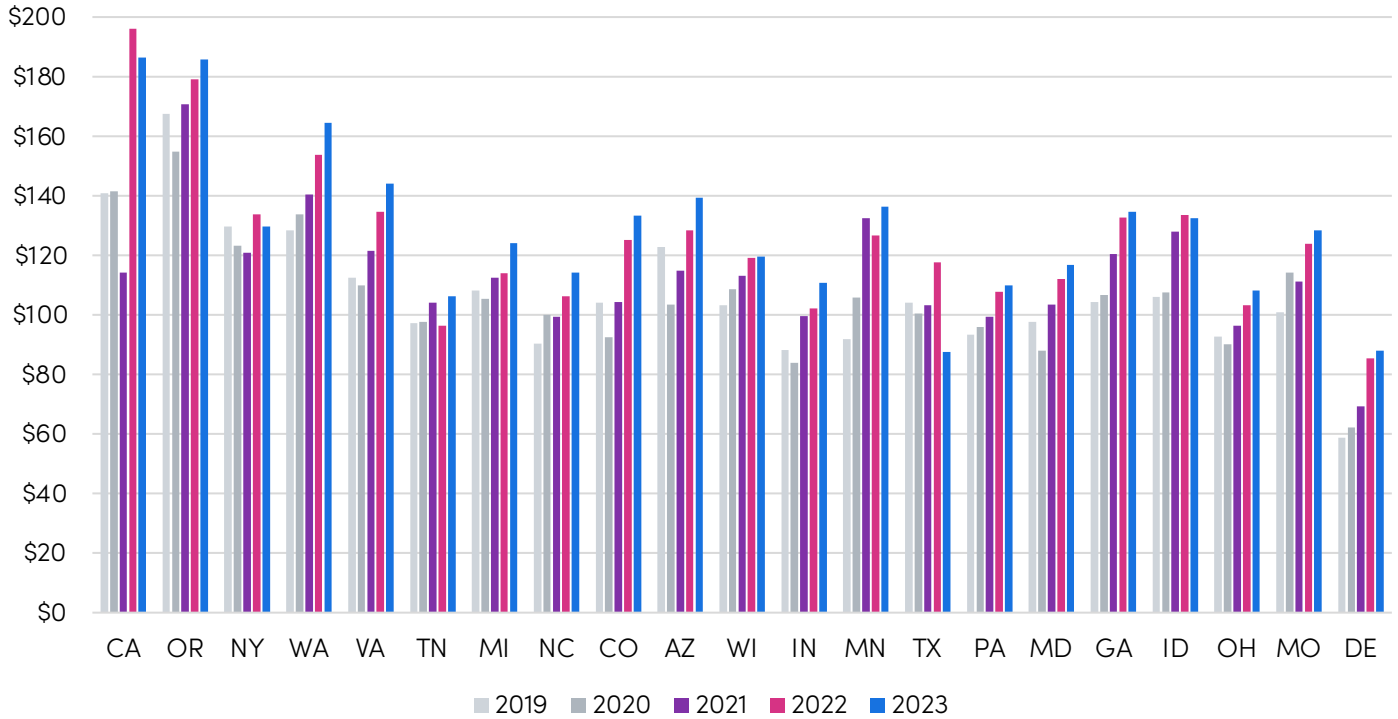
Oregon leads in club AOVs due to its high unit count, with club members in the state averaging 8-9 units per order for custom orders and 5-6 unit for standard shipments. In comparison, California, despite higher bottle prices, averages 5-6 units per shipment for customized orders and 4-5 units for standard club orders.

Delaware experienced a surge in club popularity in 2020, driven not by price increases but by the number of units included in each club shipment. However, in 2023, Delaware saw a shift from the average quantity, which was not matched by an increase in price, leading to a decline in AOV.

The introduction of customizable club orders by Vinoshipper in 2020 marked a significant development, quickly gaining popularity and driving additional revenue through this channel. This option allowed club members to swap products or add extra SKUs to their club release. This innovation had a substantial impact in Indiana, where the average units per shipment for customized orders increased by more than three units.

AVERAGE ORDER VALUE

Online Store



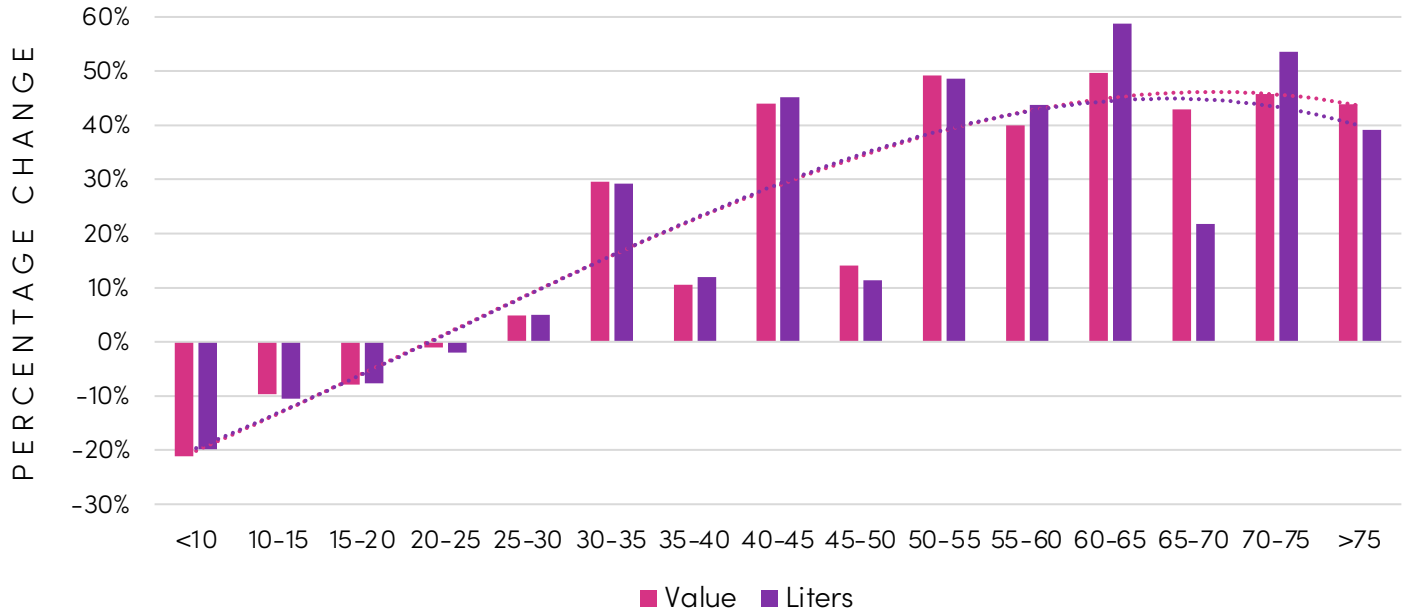
Over the last five years, most states have experienced growth in the Average Order Value (AOV) for purchases made through their online stores. While this upward trend in AOV is widespread, the degree of increase varied across states. Oregon, New York, and Tennessee, for instance, witnessed a decrease in the average units per order over the past five years. However, increases in the average price per bottle either boosted their AOV or prevented a decline in value.

In contrast, states like California, Washington, Virginia, and Michigan saw both the average number of units per order and the average unit price increase over the same period. This dual rise has resulted in these states exhibiting significant growth in AOV.

Regarding the sales volume share, the online store channel has not sustained its dominance as observed during the market conditions of 2020 and 2021. Despite this, the volume of club sales has seen a notable increase.

LITERS SOLD

By Unit Price, Year over Year: Wine



In the U.S. craft wine market, 2023 saw a continued trend with a decrease in sales of wines priced below \$20 compared to 2022, with reductions in both value and volume ranging between 8% and 21%. This trend suggests a waning consumer interest in lower cost wines or a reduction in their availability. In contrast, premium segments priced \$25 and above all experienced an increase, with notable surges in the \$40-\$45, \$50-\$55, and \$60-\$65 categories. This upward movement signals a growing consumer interest in higher priced wines, potentially driven by a greater desire for quality, the passing on of inflationary costs to the customer, or the effective premium branding strategies employed by craft wineries.

For wineries navigating this evolving landscape, the strategic focus may need to pivot towards the premium market, where there's a clear trajectory of growth and profitability. This could involve refining production techniques, enhancing quality, and reinforcing the luxury narrative in marketing efforts. With the middle brackets maintaining stability, there's also an indication that the mid-range market remains a reliable cornerstone, suggesting a dual approach may be beneficial: catering to established mid-range consumers while tapping into the demand for higher priced craft wines.

TOP 15 DTC VARIETALS

Ranked by 2023 Total Sales Value

Category	Type	Varietal Name	2023 Rank	2022 Rank	2022 \$/Liter	2023 \$/Liter	Change in \$/Liter	Change in Value Sold
Wine	Red	Pinot Noir	1	1	\$44.01	\$47.67	8.3%	8.5%
Wine	Red	Cabernet Sauvignon	2	3	\$48.60	\$55.51	14.2%	16.3%
Wine	Red	Red Blend	3	2	\$33.74	\$37.66	11.6%	9.9%
Cider	Cider	Apple	4	4	\$13.68	\$13.67	-0.1%	-7.4%
Wine	White	Chardonnay	5	5	\$32.65	\$35.68	9.3%	9.2%
Wine	Red	Cabernet Franc	6	11	\$37.43	\$40.70	8.7%	29.1%
Wine	White	White Blend	7	7	\$23.79	\$25.05	5.3%	10.6%
Wine	White	Riesling	8	6	\$26.95	\$27.85	3.4%	3.2%
Wine	Red	Merlot	9	12	\$36.19	\$39.32	8.6%	29.6%
Sparkling	Sparkling	White	10	13	\$33.41	\$40.46	21.1%	32.7%
Wine	Red	Syrah/Shiraz	11	8	\$41.96	\$43.30	3.2%	12.0%
Mead	Mead	Melomel	12	9	\$41.19	\$44.58	8.2%	8.5%
Wine	White	Sauvignon Blanc	13	15	\$29.53	\$31.18	5.6%	19.1%
Wine	Rose	Rose	14	10	\$25.33	\$26.14	3.2%	-7.7%
Wine	Red	Malbec	15	18	\$39.51	\$38.06	-3.7%	-10.6%

TOP 15 DTC VARIETALS

Continued

The top five direct-to-consumer (DTC) wine varietals maintained their status in 2023 but shuffled positions, with Cabernet Sauvignon and Red Blend swapping the second and third spots. Pinot Noir held onto the number one position with an 8.3% price increase per liter over the past year. Pinot Noir's rise in value sold came almost exclusively from a rise in price per liter. Cabernet Sauvignon's price per liter exceeded \$50 for the first time, indicating an average bottle price near \$40.

The difference between the change in price per liter and the change in value sold reflects the change in liters sold. For instance, Cabernet Franc saw a 29% surge in total spend with only an 8.7% hike in price per liter, indicating an approximate 20% rise in the volume sold in 2023.

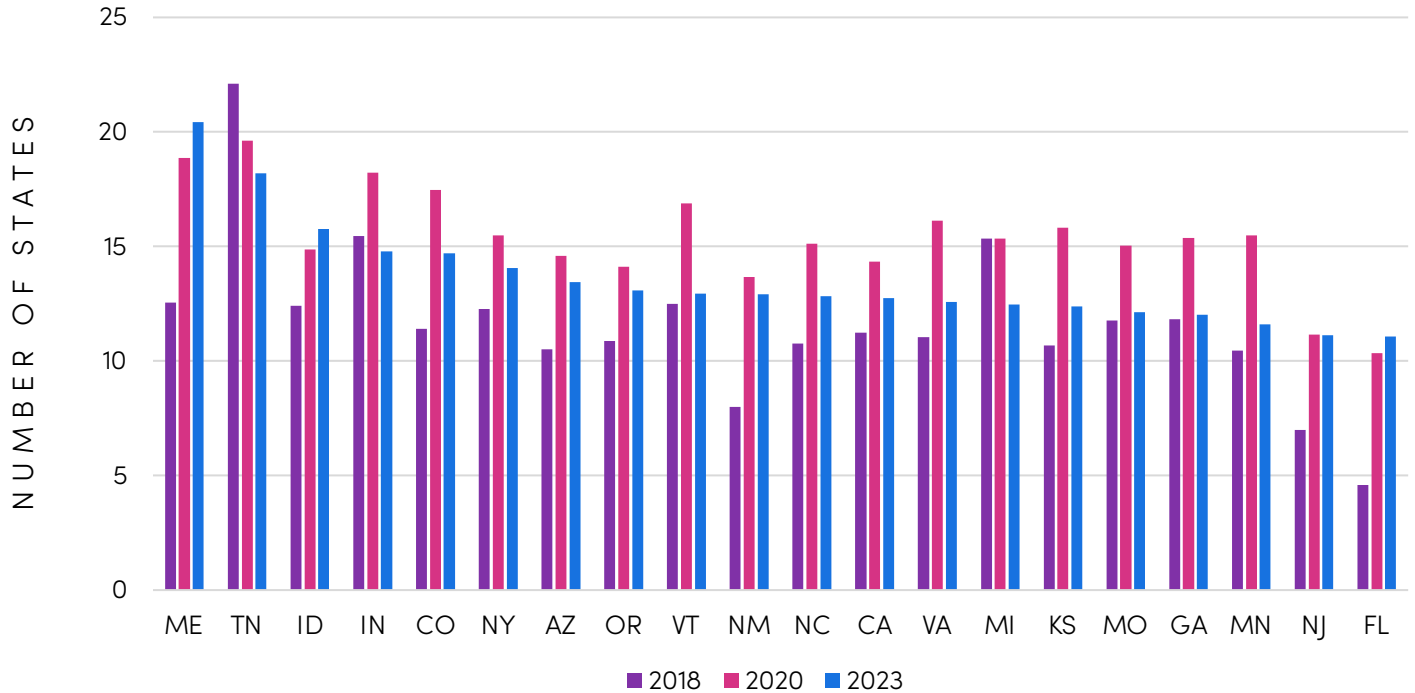
The category that showed significant growth was Sparkling White Wine, with a 21.1% increase in price per liter, surpassing \$40 per liter. It jumped into the top ten due to a 10% increase in the liters sold in 2023. Merlot also enjoyed a revival, witnessing an increase in value sold of 29.1%, a majority of which came from more liters being sold.

Conversely, Rosé and Apple Cider experienced a downturn, each with a 7% decline in spend. Despite Rosés price per liter rising by 3.2%, total liters declined by 10.6%, leading to a total decline in the category.

White wine performed strongly in 2023, with all four varietals in the top 15 increasing in both their price per liter and value sold.

DESTINATION STATES

Average by Producer State



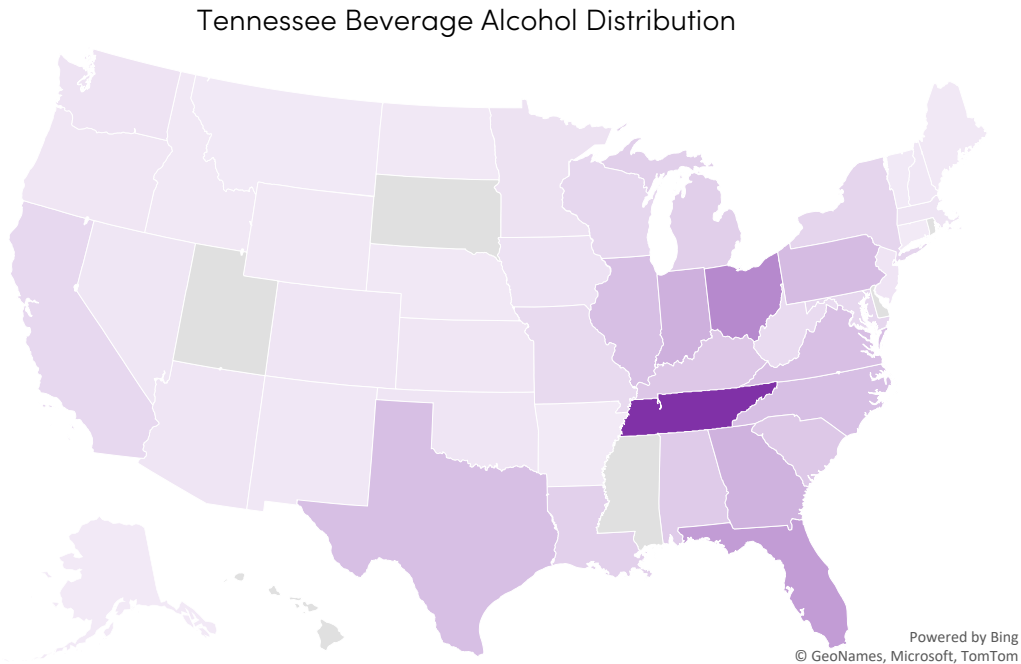
The chart reveals insight into the geographical breadth of DTC shipping by producers across different states, with producers in Maine leading the pack. This demonstrates a significant trend towards out-of-state shipping established during the 2020 market conditions, where producers broadened their market reach beyond local confines. All states, bar Tennessee and Michigan, increased their average ship to states from 2018 to 2020 and a majority have maintained much of that ground gained through 2023. States like Maine, New Mexico, New Jersey, and Florida massively increased their out of state presence in 2020 and have kept those gains or increased them even further in 2023.

For wineries, this analysis underscores the importance of unlocking out-of-state shipping capabilities to enhance brand presence and drive growth. It is crucial for wineries to conduct a thorough breakeven analysis to determine the viability of expanding into new states, considering factors such as demand, shipping regulations, and logistical costs. Leveraging such data can inform strategic decisions, enabling wineries to capitalize on the trend of geographic expansion and to compete effectively in the wider national market. This strategy could be especially pertinent for smaller producers aiming to increase their footprint and for established brands looking to maintain a competitive edge.

*Minimum 10 producers in state

DESTINATION STATES

Tennessee Case Study

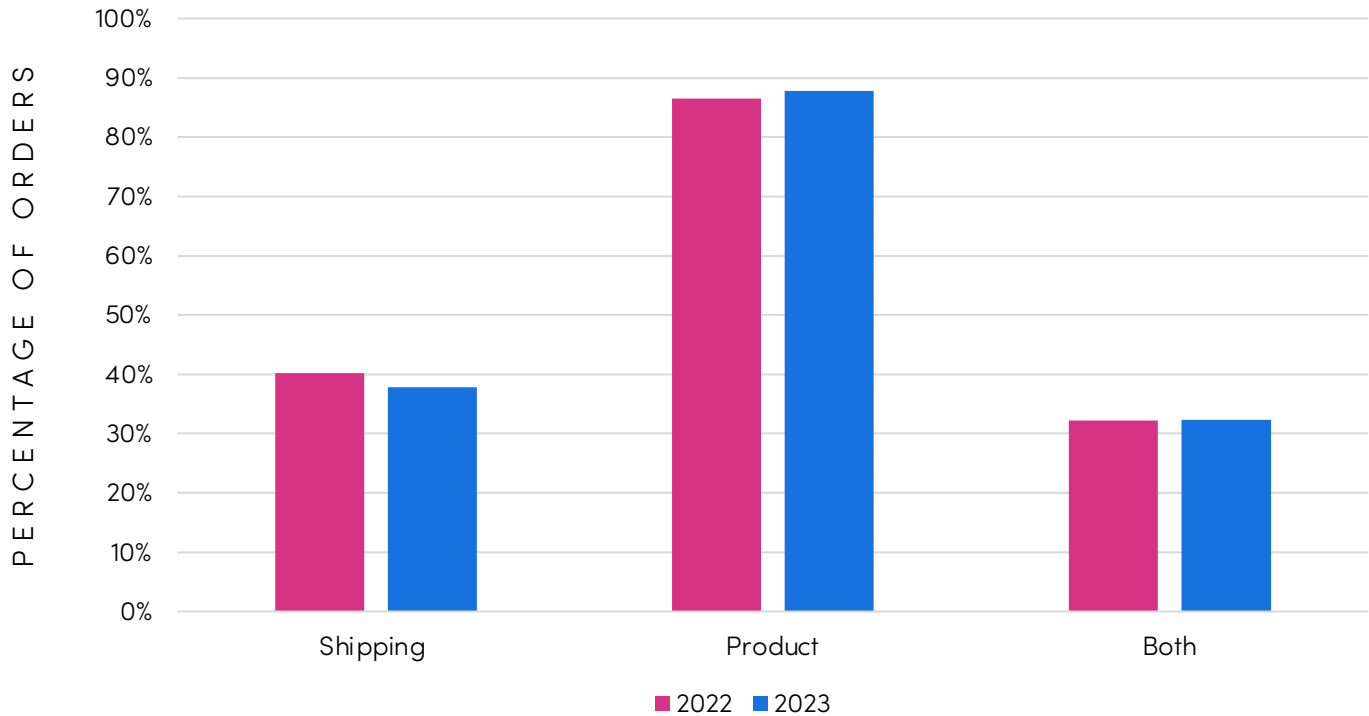


The data presents a more detailed view of the distribution footprint for Tennessee wine producers, highlighting Florida, Georgia, North Carolina, and Ohio as key markets with the highest sales volumes. Tennessee itself stands out, not just as a producer, but also as a significant consumer, reflecting a robust local market that supports its own.

This distribution pattern underscores the importance of understanding regional market dynamics and the potential for targeted expansion. For Tennessee wineries, the data suggests an opportunity to deepen market penetration in high-sales states by tailoring marketing efforts and increasing distribution channels. Conversely, states with lower sales volumes may either represent untapped markets requiring increased promotional activities or areas where market conditions are less conducive to Tennessee products. Wineries should use this data to inform strategic decisions about where to intensify their market presence and where to explore new opportunities for growth.

CLUBS

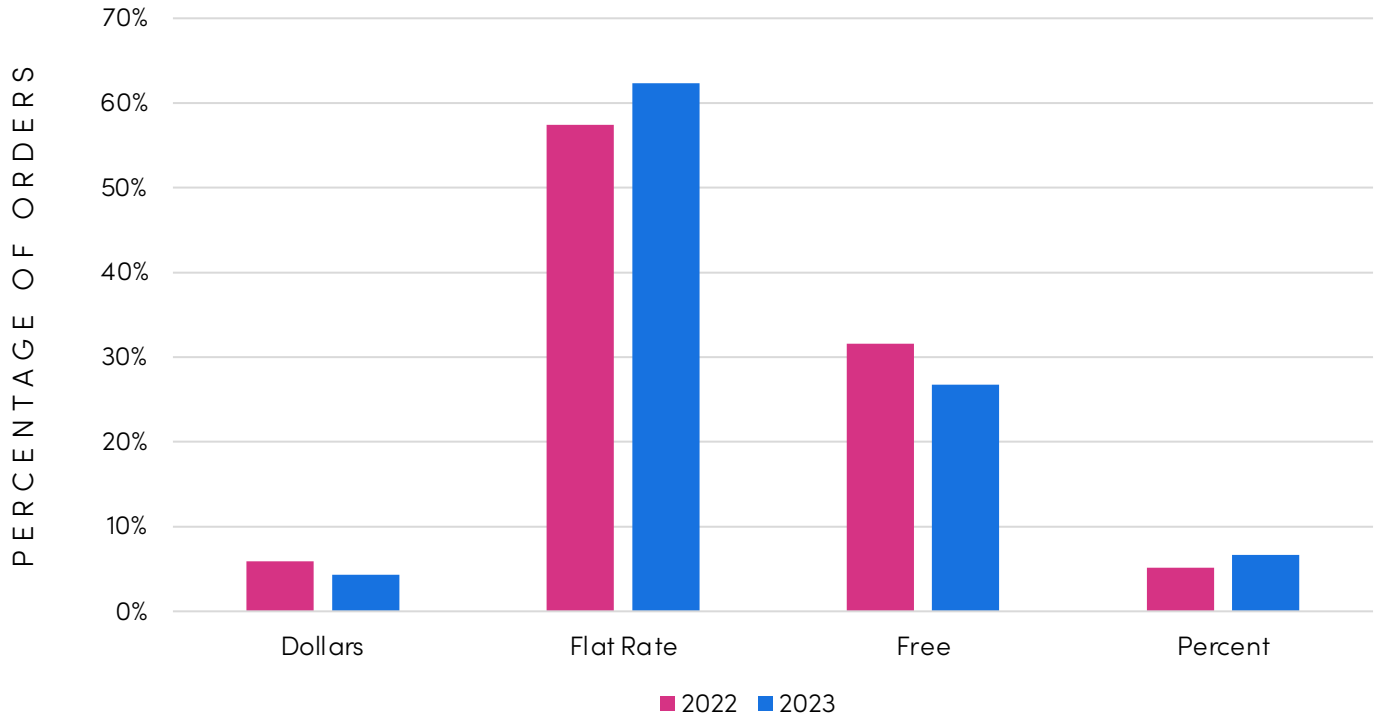
Discounts



The use of product discounts increased in 2023, with 88% of wine club orders including a product discount, with an average discount of 16%. Discounts have become a major incentive for clubs and can help drive and retain memberships. The use of shipping discounts declined in 2023. Delivery suppliers raised prices across the board, causing shipping to become an increasingly larger expense for businesses.

CLUBS

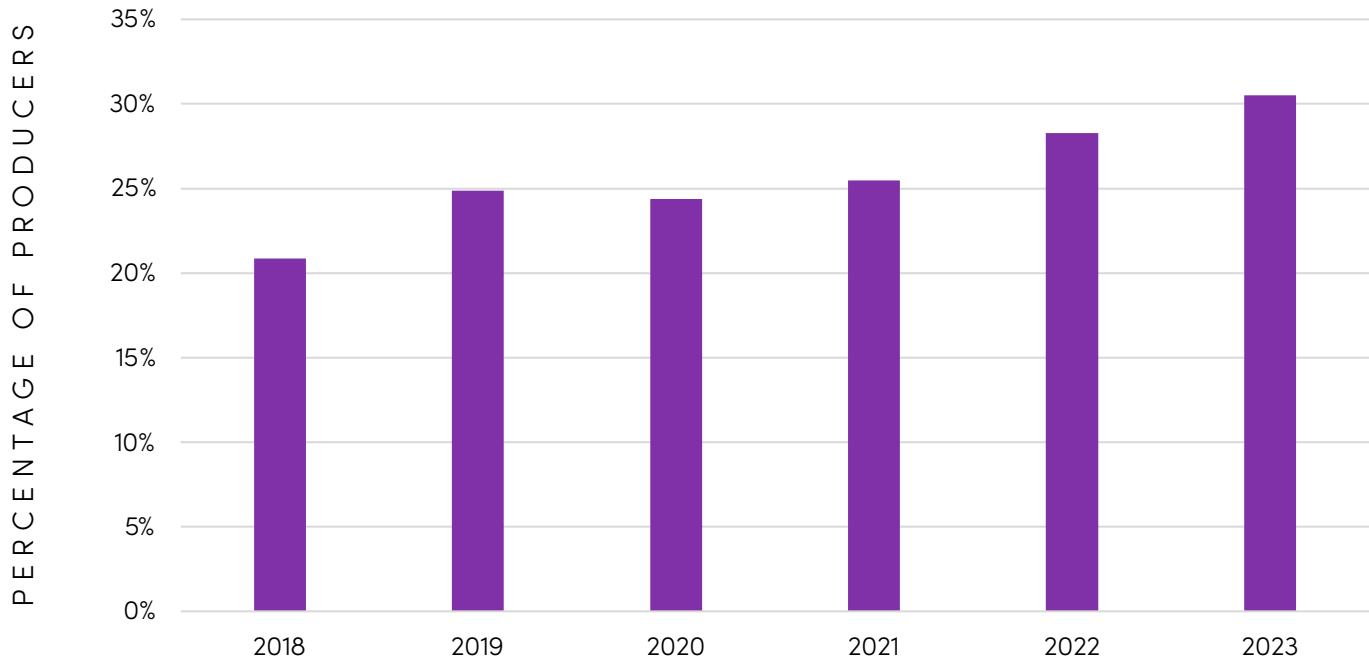
Discounts: Type of Shipping Discount



Flat rate shipping saw the largest growth in 2023, with many moving from free shipping to the flat rate options. Flat rate shipping is when a business offers a set price for a shipment delivery (\$20 for example) and absorbs the rest of the UPS charge. Less than 1/3rd of club shipments included free shipping, while about 60% included a flat rate fee. Club orders with no shipping incentives had an AOV of \$120 in 2023, while the AOV of orders with shipping incentives was \$135.

CLUBS

Percentage of producers than ran clubs



The data reflects a clear upward trend in the adoption of club models by wine producers. This aligns with the broader consumer pivot toward club services, a trend already well-established in other sectors of entertainment and luxury. With wine clubs accounting for an increasingly significant portion of a winery's revenue, producers should actively explore and enhance their club offerings. By doing so, they can secure a recurring revenue stream while fostering stronger customer engagement.

CLUBS

Average Order Value: Club vs Non-Club

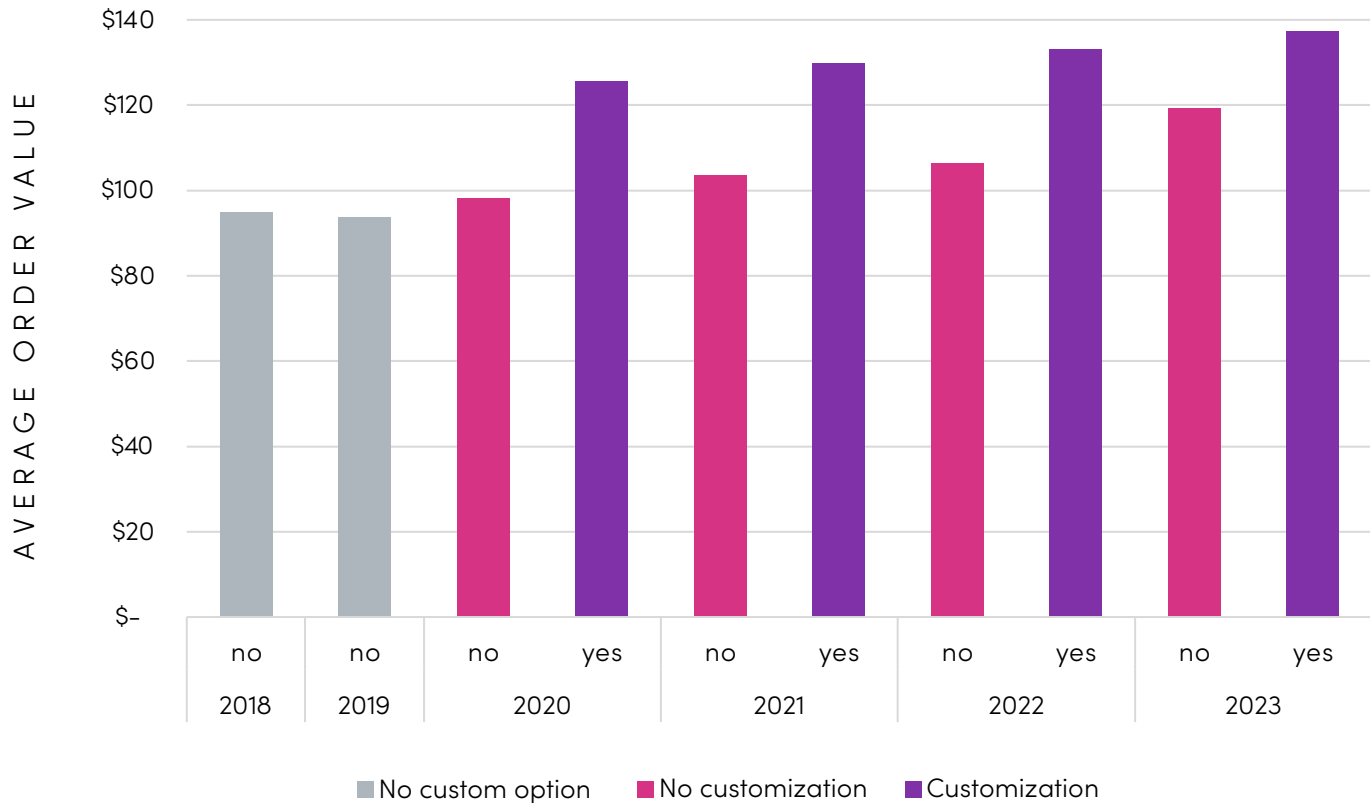


The data compared the average order value (AOV) of club orders versus non-club orders from 2018 to 2023, revealing that club AOV consistently trails non-club AOV. The increasing AOV for both groups suggests that customers are spending more over time, with club orders seeing a steeper increase. The trend towards higher AOV is indicative of a growing customer willingness to spend more per transaction, possibly reflecting an increased perception of value or a response to inflationary pressures.

Wineries should note the AOV growth as a signal to potentially reevaluate club pricing strategies and club discount structures to maximize revenue. Additionally, with the rising AOV, wineries might consider enhancing club product offerings or creating more exclusive tiers to cater to the expanding customer spend.

CLUBS

Average Order Value: Customized vs Non-Customized



The chart indicates that customized orders, introduced in 2020 on Vinoshipper, achieve a higher AOV compared to standard non-customized orders. This uptrend in AOV is attributed to customers adding more units to their purchases, with the average increase ranging from 1 to 2 additional units per order. This suggests that the option to customize is not only appealing but also encourages larger average purchases.

Capitalizing on the customization trend could be key to increasing per-transaction profitability and enhancing customer satisfaction through personalized service. Additionally, adding more units to an order drives down the per bottle shipping cost.

Wineries should lean into this trend by promoting their customization options. This can boost revenue significantly, as customers are willing to spend more when given the control to tailor their orders.

ABOUT VINOSHIPPER

Vinoshipper is the number one platform for alcohol producers looking to expand their direct sales. Its compliance engine has been backing wineries, cideries, meaderies, distilleries, and brewers, since 2006, by offering a fully compliant online store, point-of-sale, club management, and UPS integration.

Vinoshipper is part of a family of companies which includes the all-in-one sales winery management system, CompleteDTC.

The team at Vinoshipper is continuously working to make the lives and businesses of alcohol producers better.

If your business is interested in learning more about Vinoshipper, visit us at vinoshipper.com or email us at customerservice@vinoshipper.com.

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