



How have wine DTC
channels fared in
2019-20?

Results of the Wine
Direct-to-Consumer
survey 2020

Wine Australia October 2020

A close-up photograph of a hand pouring red wine from a dark bottle into a clear glass. Another glass, already partially filled with red wine, is in the foreground. The background is a blurred outdoor scene with trees and foliage. The image is partially obscured by a dark grey curved shape that contains the text.

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Key takeaways

DTC outperformed other wine sales channels in 2019–20 with 7 per cent overall value growth.

Cellar door remained the largest DTC channel but lost value share, while online showed the strongest growth in percentage terms – up by 49 per cent in value.

Wine clubs had the highest average case value of the major DTC channels and had an average annual net growth rate in membership of 9 per cent.

Wine businesses have made several changes to their operations since COVID-19, mainly around tastings, e-commerce and engagement with their customer database.

Generally wineries have a positive outlook regarding sales growth for DTC channels in 2020–21, particularly for online and cellar door sales.



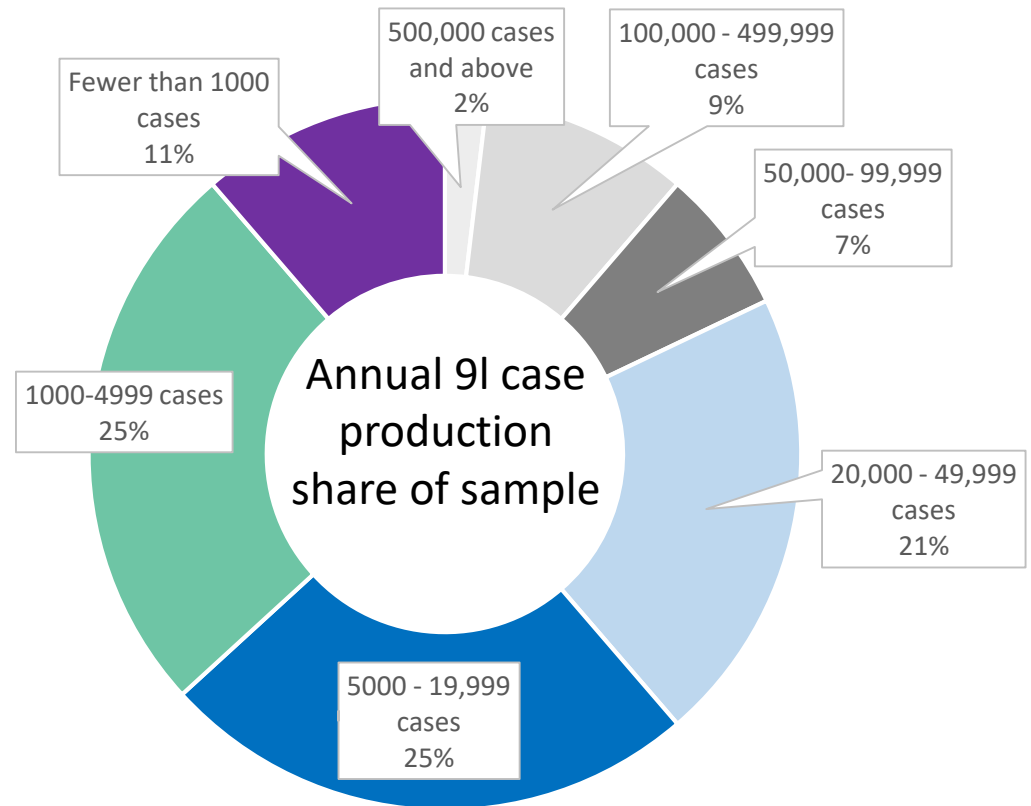


Wine sales benchmarks

Survey participation

A total of 108 wineries completed the Wine DTC survey in 2020. This represents approximately 5 per cent of the total population of Australian wine businesses. This response rate is lower than in 2019, possibly as a result of the additional burdens and challenges of 2020. The low numbers mean that results should be treated as general indications, not a complete picture – particularly when broken down into subsets such as size categories.

There was good representation across different winery size categories, although the smallest wine businesses were under-represented, with wineries producing less than 5000 cases accounting for 36 per cent of respondents compared with an estimated 67 per cent of all wine businesses. Based on the sales value reported by respondents, it is estimated that the sample accounts for approximately 10 per cent of all wine sales in 2019–20.

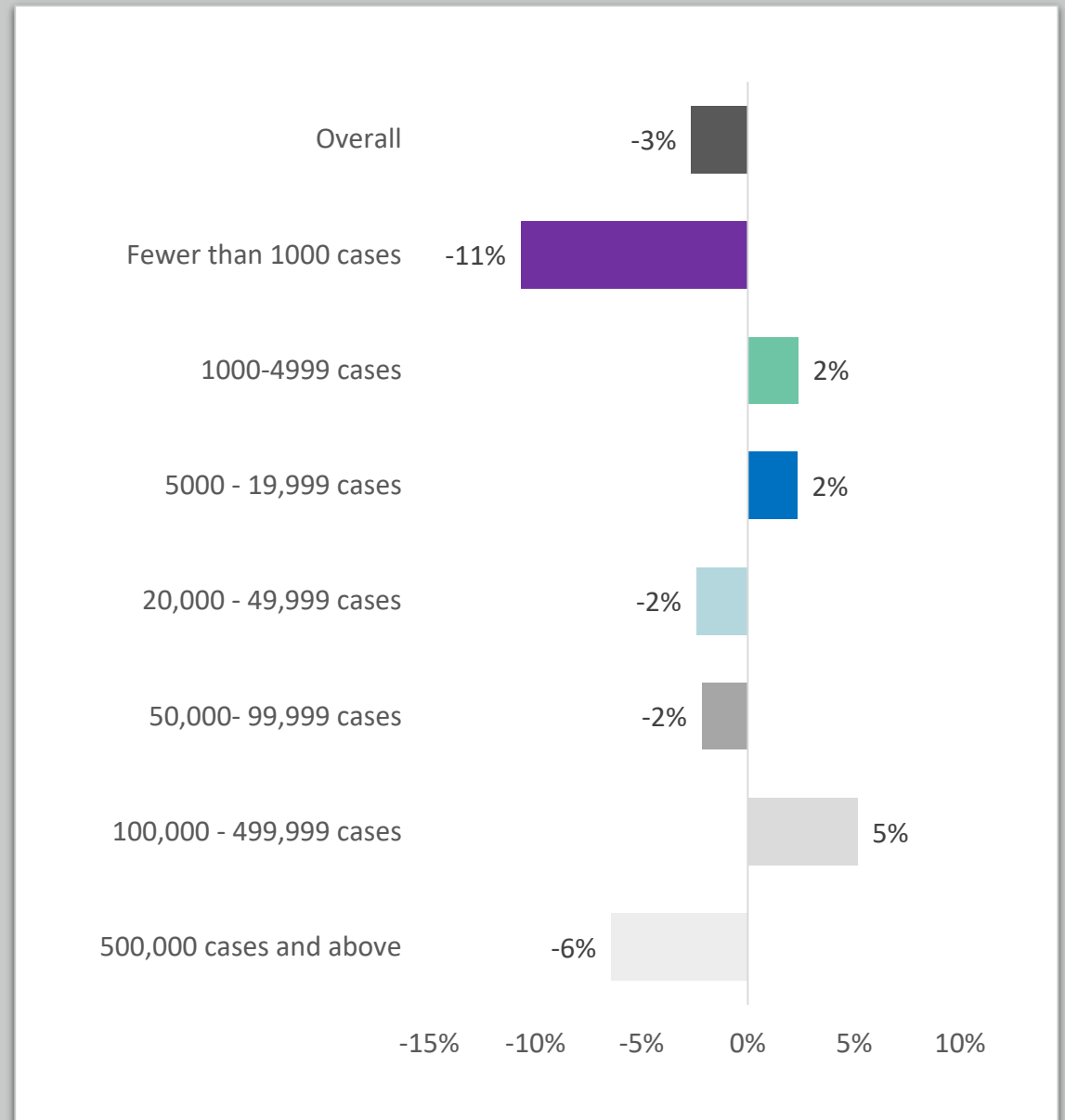


Wine sales value growth by production size

Overall, survey respondents had a small reduction in total wine sales revenue in 2019–20 compared with the previous year.

The smallest and largest wineries appeared to be the most negatively affected (but note that the sample sizes are small).

This result is consistent with other data sources. The domestic off-premise increased by 6 per cent in retail value in 2019–20, while exports decreased by 1 per cent in value. There are no figures for on-premise sales in Australia, but all on-premise venues were closed for at least one quarter of the year, which must have had a substantial negative effect on sales.



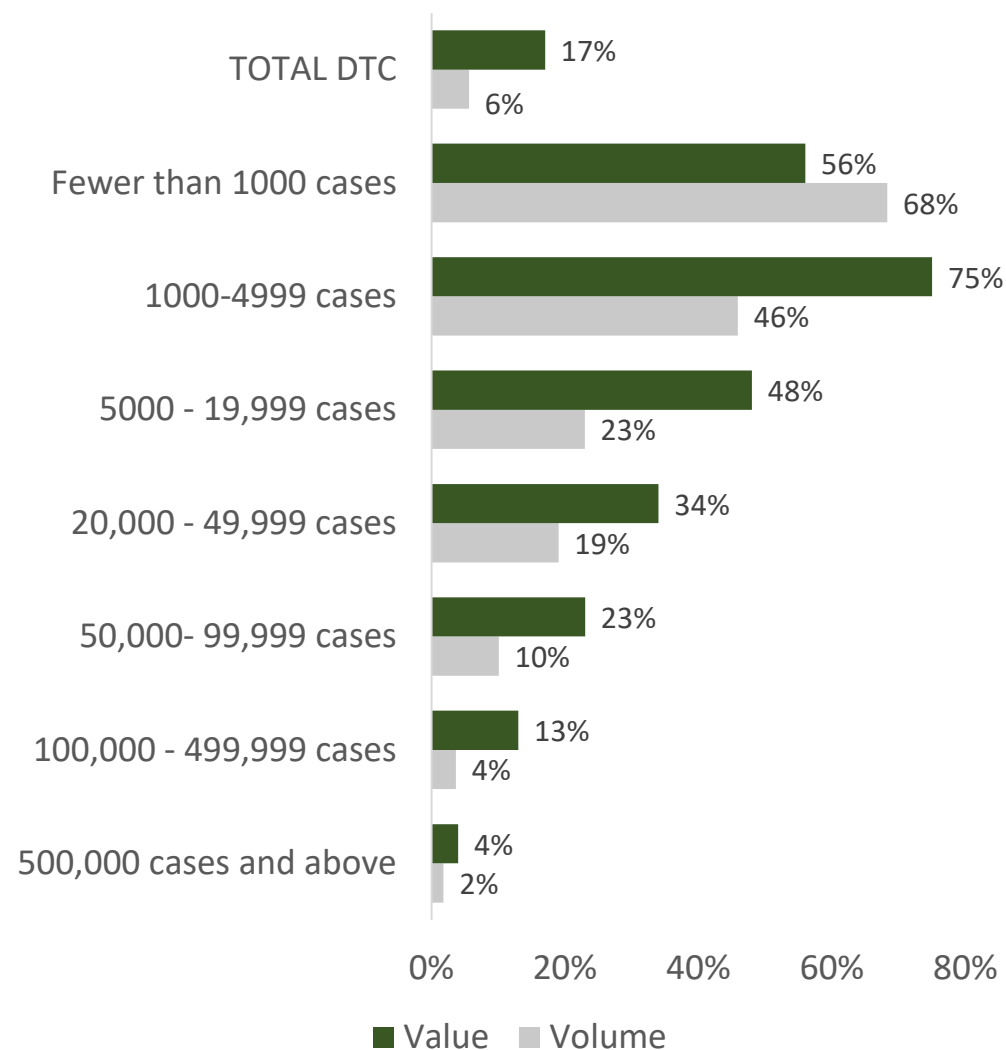
DTC share of sales by volume and value

Overall, DTC made up 17 per cent of wine sales value in 2019–20 – the same as reported in last year's survey.

Volume share increased compared with 2018–19.

The share of DTC (generally) increases with decreasing winery size, while value share generally exceeds volume, indicating that DTC has a higher average value than other sales channels.

Based on these results, total DTC sales volume is estimated to be approximately 77 million litres (or 8.5 million cases).

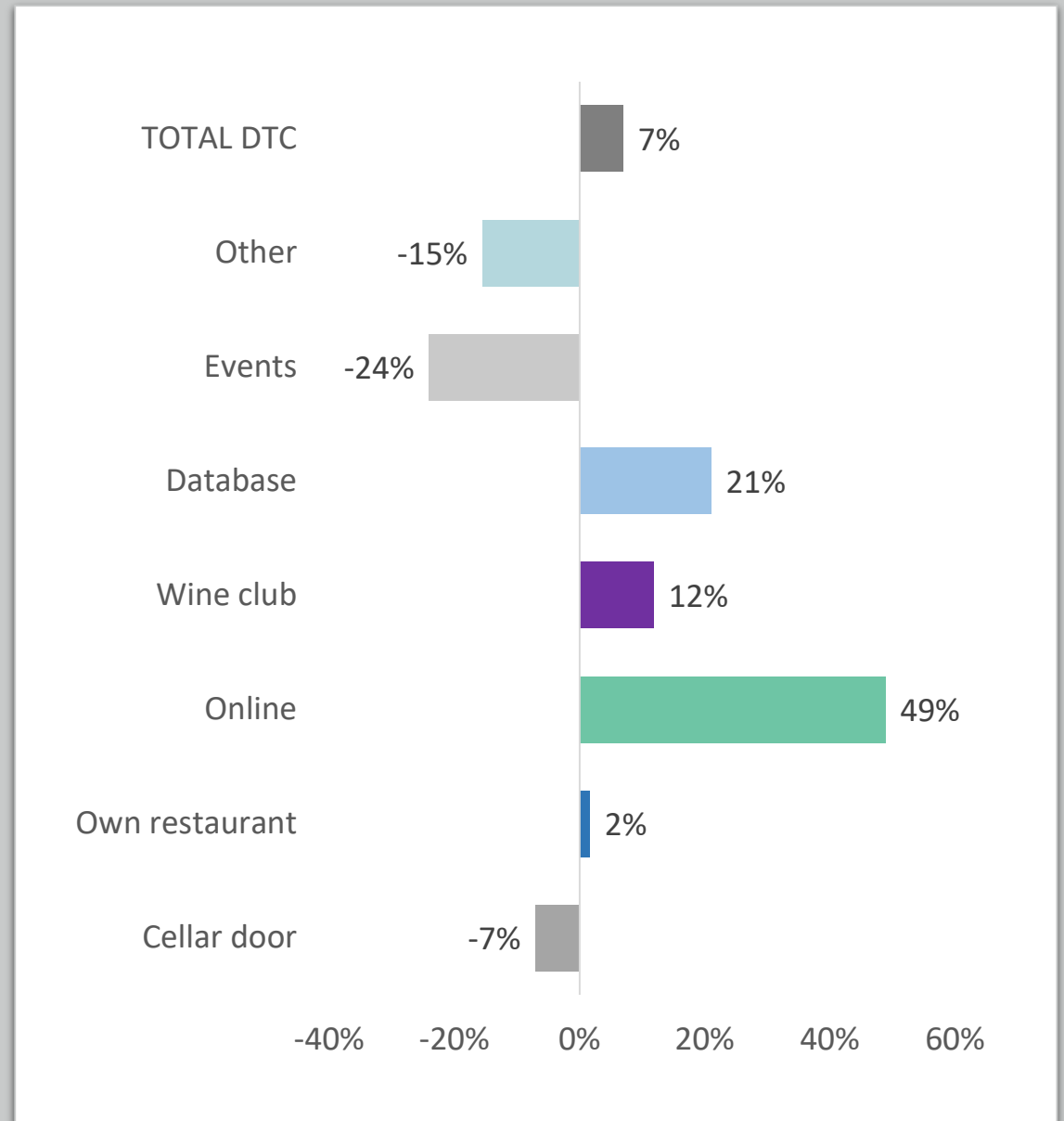


Revenue change YoY by DTC channel

DTC grew by 7 per cent overall in value in 2019–20 compared with the previous 12 months, outperforming overall wine sales.

‘Non-contact’ channels had the highest growth rates, with cellar door and events suffering from restrictions and lockdowns, as well as after-effects of fire in some cases.

Online increased the most in value (in percentage terms) – consistent with anecdotal feedback and consumer research indicating a strong shift to this channel to replace cellar door visits, retail in-store purchases and on-premise consumption.

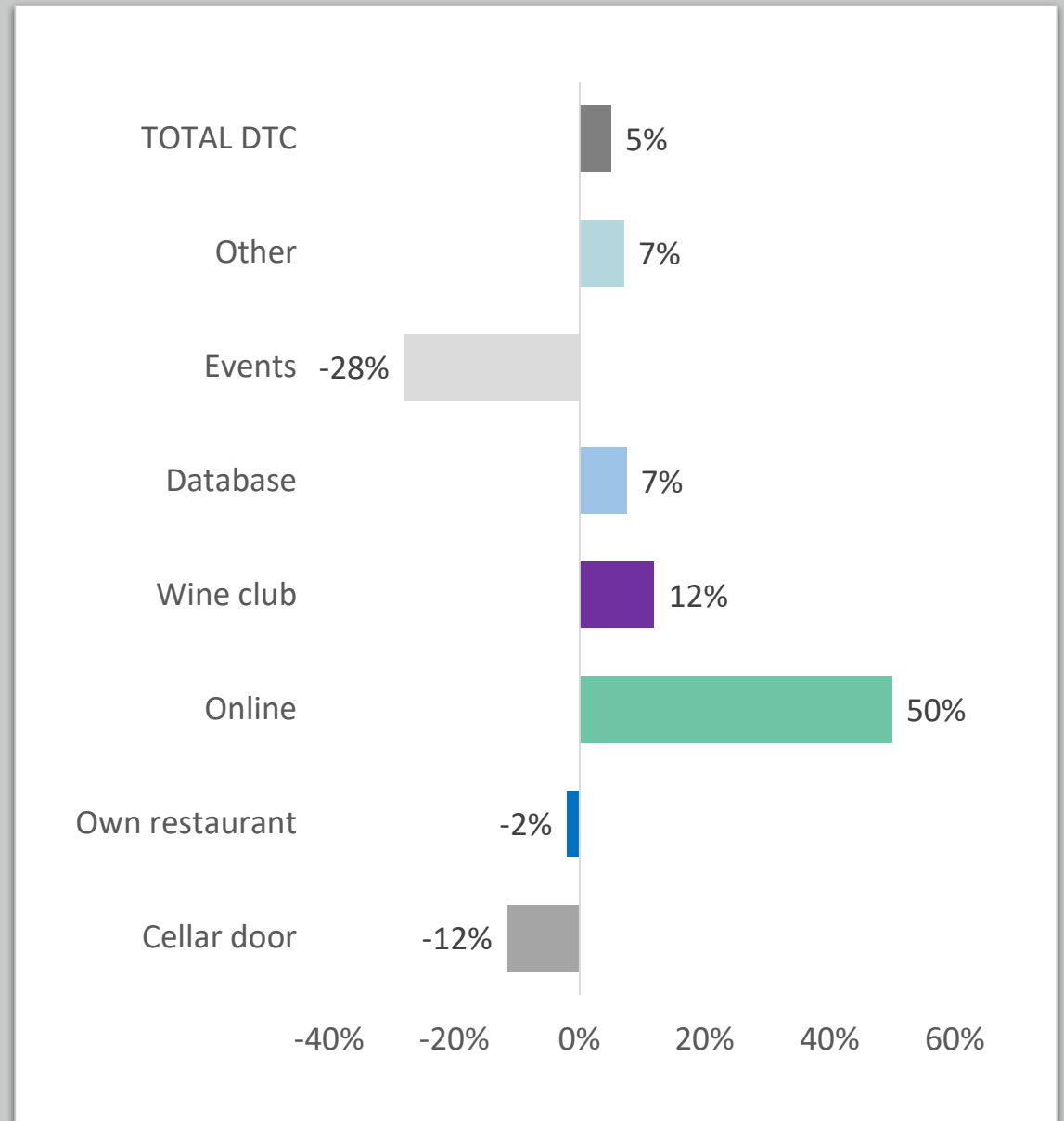


Volume change YoY by DTC channel

DTC grew overall by 5 per cent in volume in 2019-20 compared with the previous 12 months.

Declines in cellar door and events were both larger in volume than in value, indicating a lift in average value.

Once again, online grew the most in percentage terms, with volume growth slightly exceeding value growth.



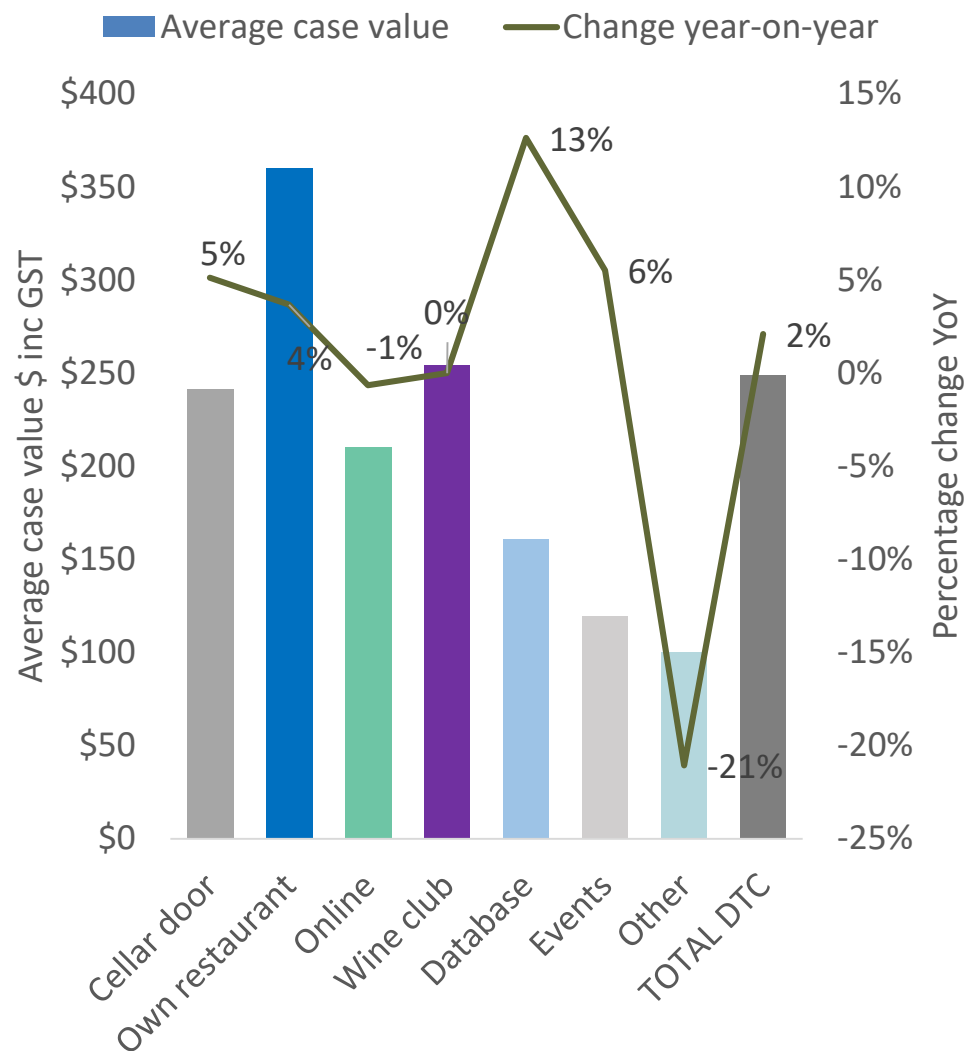
Average case value by DTC channel

Across all DTC channels, the average case value for survey respondents in 2019–20 was \$249.

This was up 2 per cent compared with the previous year (as reported in the 2019 survey).

Apart from 'own restaurant', which is a very small segment, the highest average case value was for wine club (\$254 per case) followed by cellar door (\$241) and online (\$210).

Average case value grew most for the database channel (up 13 per cent).

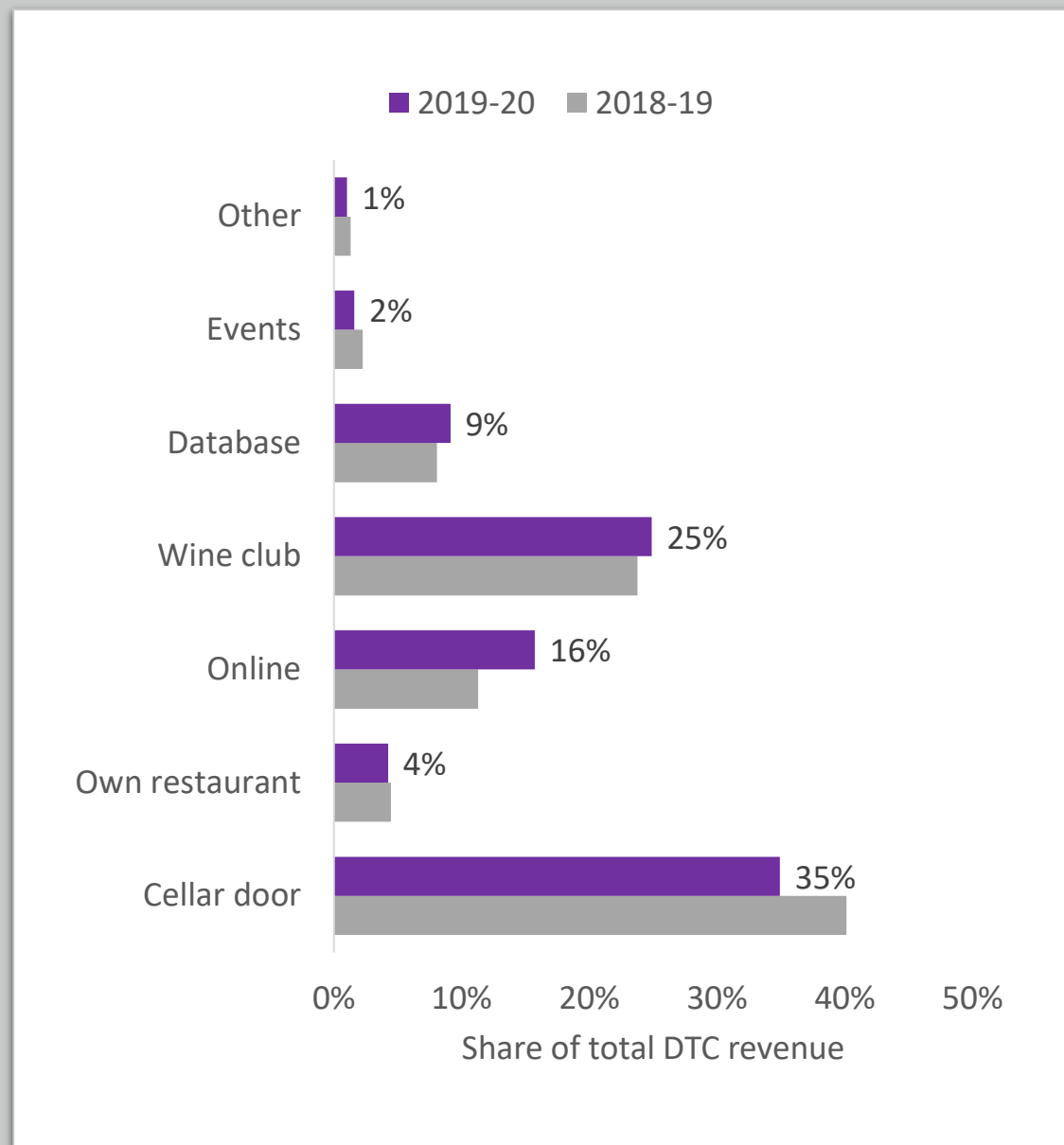


Summary: DTC channel performance in 2019–20

Cellar door remained the dominant DTC channel for survey respondents in terms of revenue, but it declined in share from 40 per cent to 35 per cent. It had the second highest average case value of the main DTC channels, and this increased by 5 per cent year-on-year.

Wine club was the second largest channel, with the highest overall average case value.

Online gained the most revenue share in 2019–20 at the expense of cellar door but still accounted for less than 20 per cent of sales. Its average value declined slightly and was 20 per cent lower than the average wine club case value.





Cellar door operations

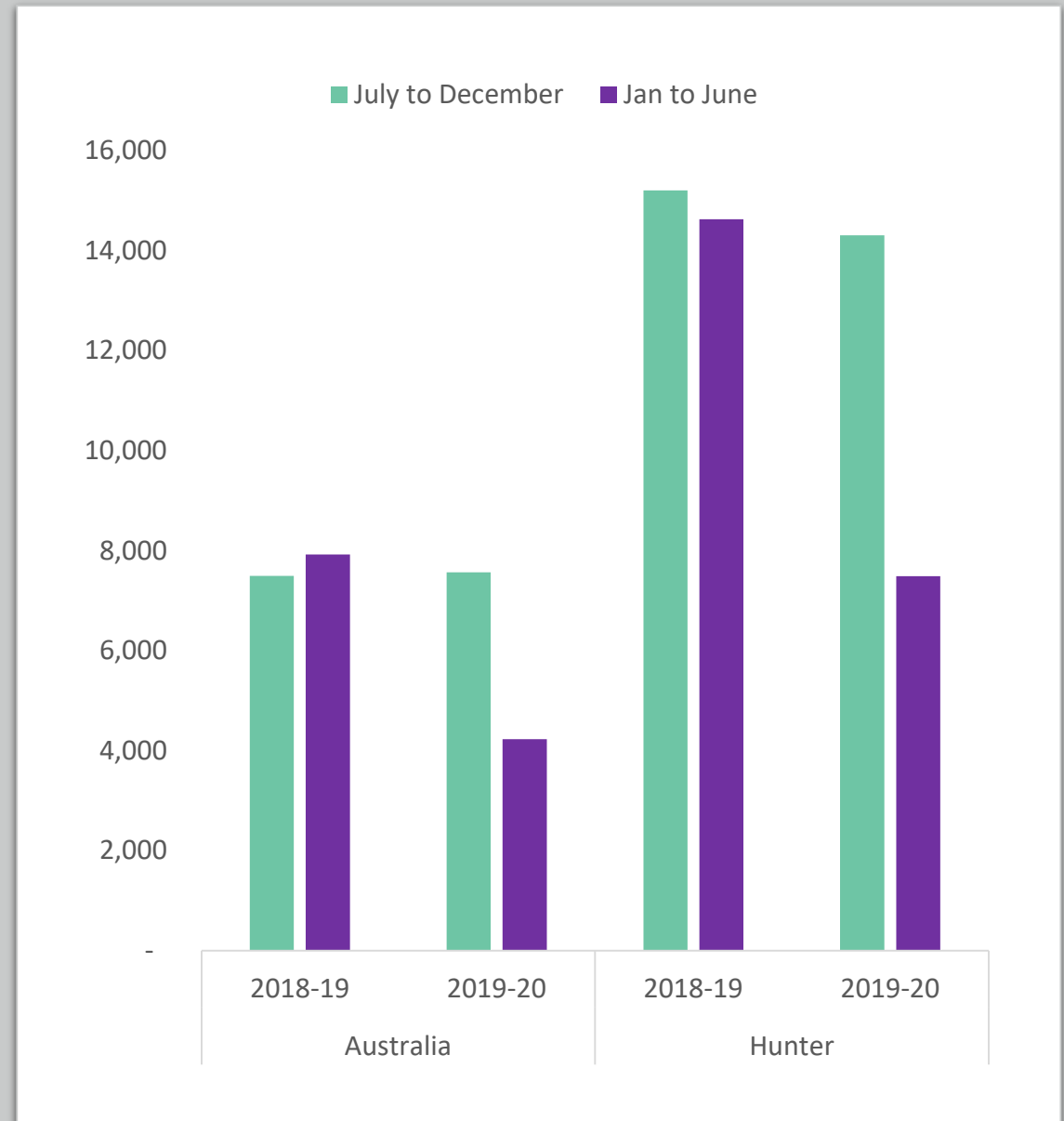
Number of visitors to cellar doors

Average visitor numbers in 2019–20 were down 23 per cent compared with 2018–19, from approximately 15,000 pa to 12,000 pa.

The first half of 2019–20 was only down 1 per cent compared with the first half of the previous financial year, but the second half was down by 47 per cent.

The Hunter region* had approximately double the average number of visitors per winery compared with the overall total. However, visitation to the Hunter was down by 27 per cent year-on-year (49 per cent in the second half).

*Hunter had enough responses for selected individual regional reporting.

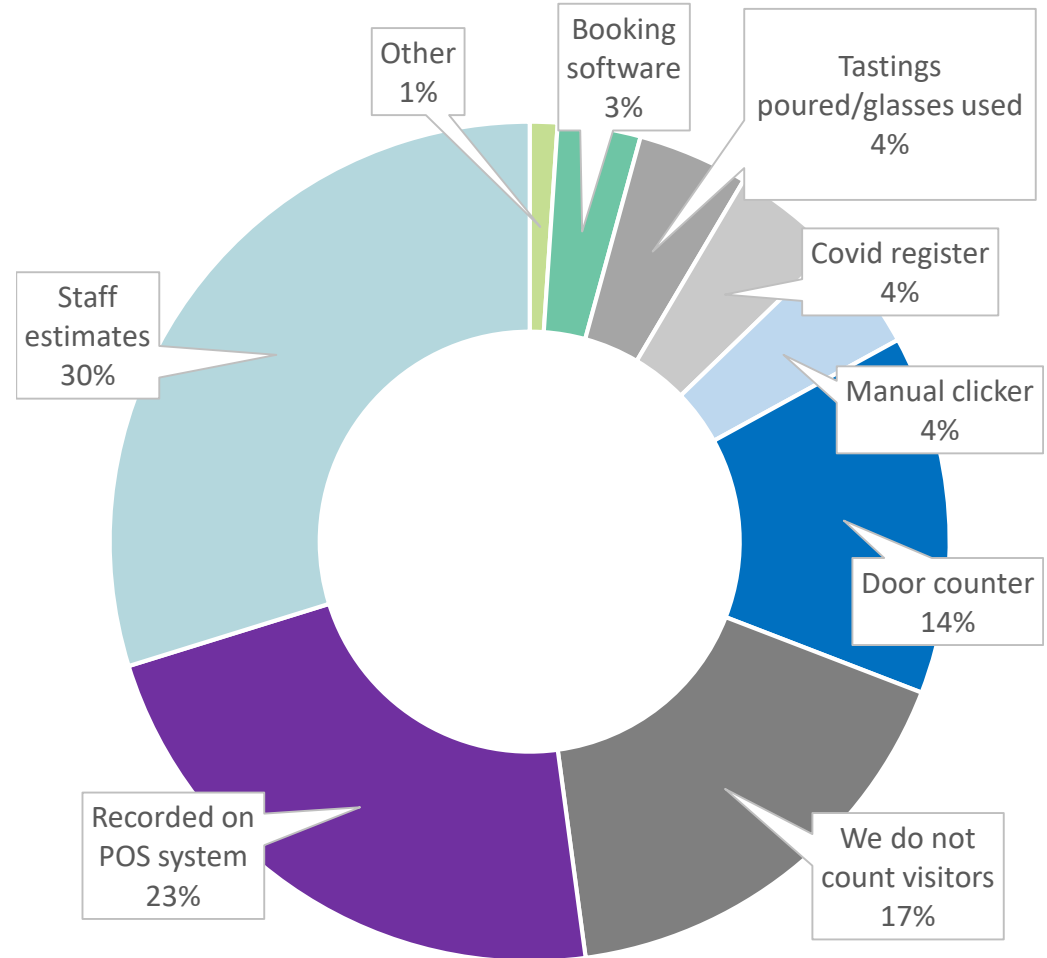


Counting visitor numbers

The main methods of counting visitors were similar to those reported in last year's survey, but a few new methods of counting have emerged – including booking software and a COVID register.

The proportion not counting visitors was slightly lower (17 per cent vs 21 per cent in the 2019 survey).

Accurate reporting (or estimation) of visitor numbers is essential for calculating performance measures such as average sales per visitor and conversion rates to club membership, as well as enabling reliable estimation of resource requirements.



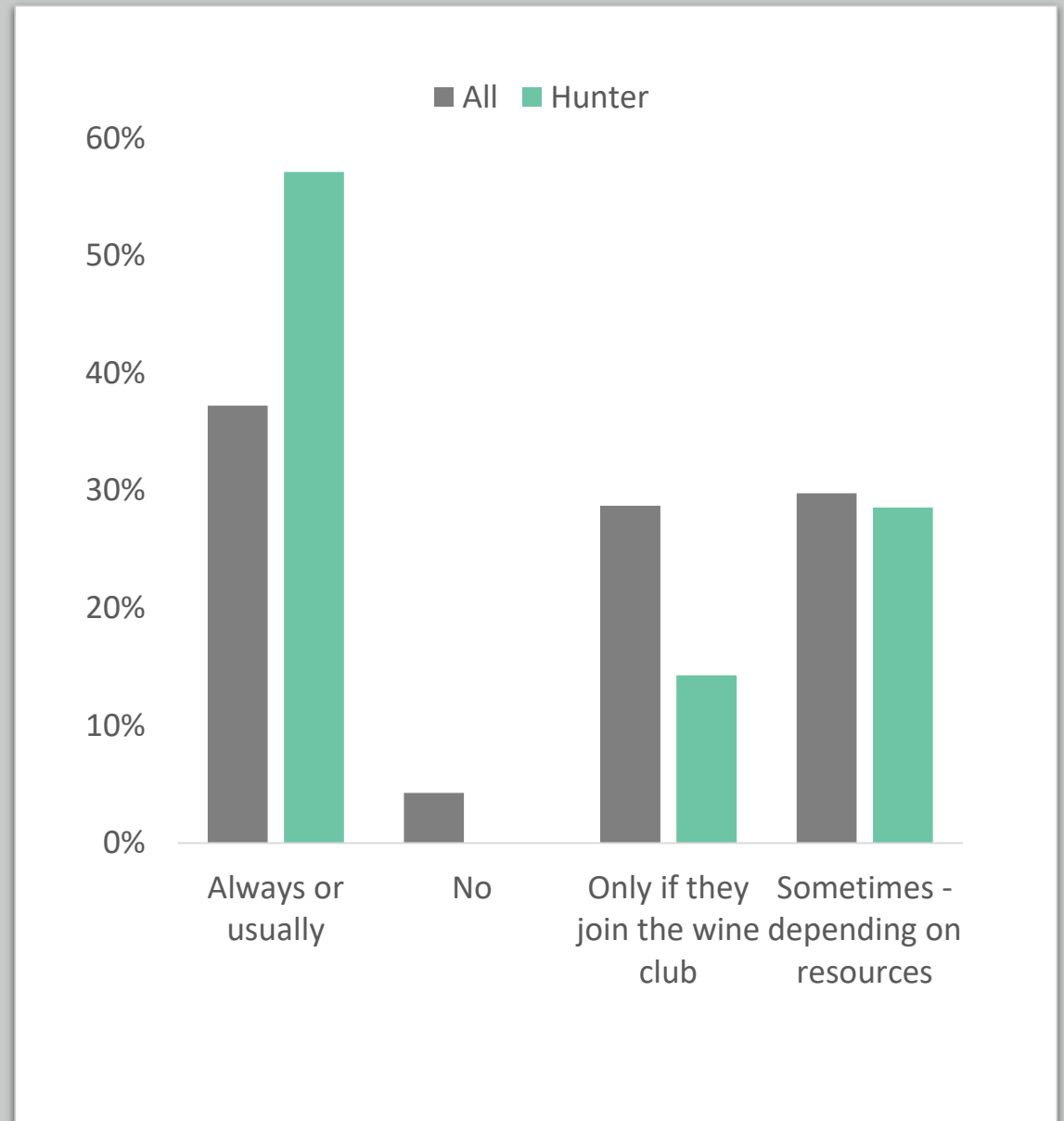
Collecting contact details

Less than 40 per cent of survey respondents reported collecting contact details 'always or usually' as at the end of June 2020 – outside of COVID-19 requirements.

This proportion was higher for the Hunter respondents (nearly 60 per cent).

One respondent commented: 'Often people not joining a club are reticent to provide contact details.'

Contact details provide an opportunity not otherwise available to follow up visitors with further information, invitations and offers; however, following up all visitors regardless of their level of engagement is likely to result in a high number of immediate rejections and may not justify the resources required to collect their details.

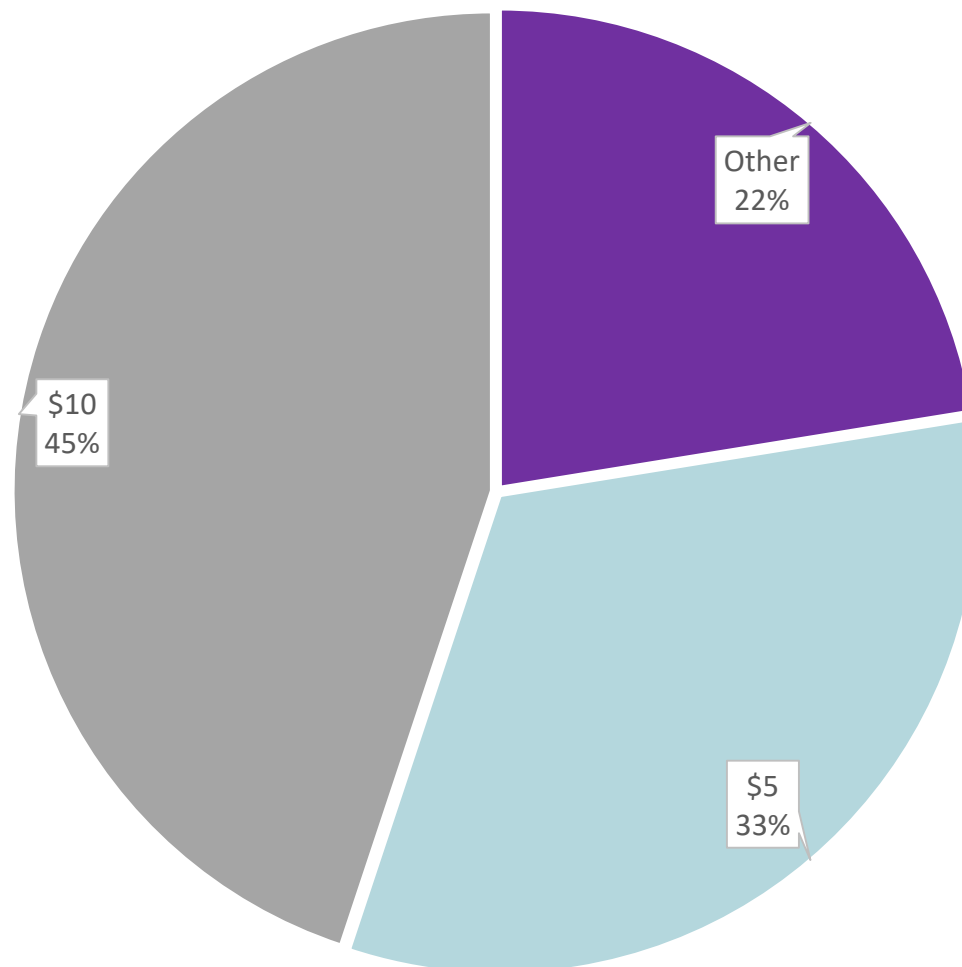


Standard tastings

Charging practices for standard tastings were very similar to those reported in last year's survey, indicating that this had not been significantly affected by COVID-19. The proportion of wineries charging for standard tastings is still only around half (54 per cent of respondents this year compared with 52 per cent in the 2019 survey).

The amount charged on average had increased, with 45 per cent of respondents charging \$10 compared with 33 per cent in last year's survey, while only 33 per cent charged \$5, compared with 57 per cent in 2019. The calculated average amount increased from \$7.20 to \$8.51.

Amount charged for standard tastings

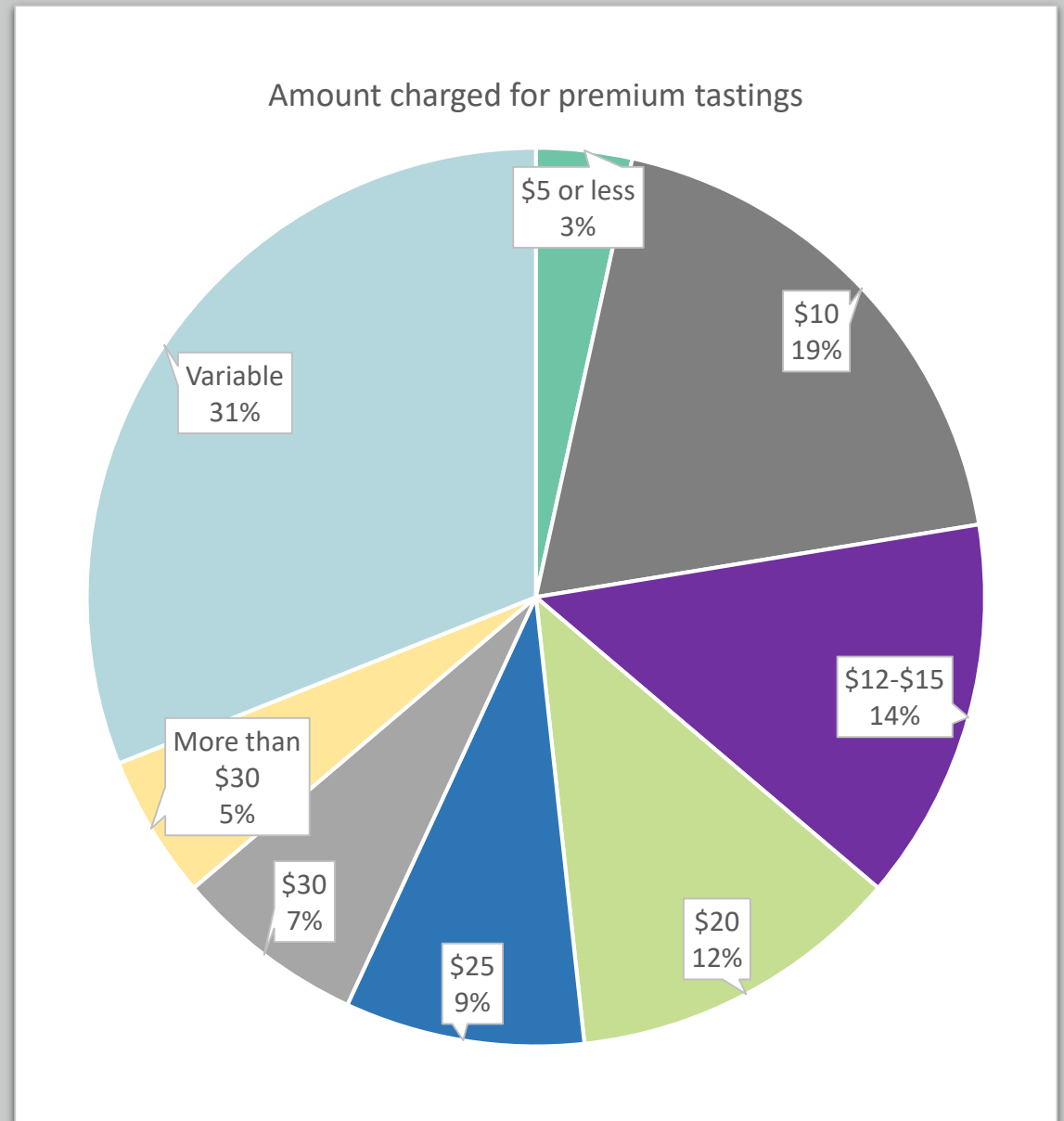


Premium tastings

The proportion of wineries charging for premium tastings had also not changed significantly (82 per cent, compared with 79 per cent in the 2019 survey).

There was a large variation in the charges reported for premium tastings, and 31 per cent of respondents nominated a range of amounts or stated that the charge varied depending on the tasting. The average amount is estimated to be around \$23, compared with \$19.60 in 2019.

It was noticeable that the proportion charging \$10 or less reduced from 43 per cent last year to 22 per cent in this year's survey.



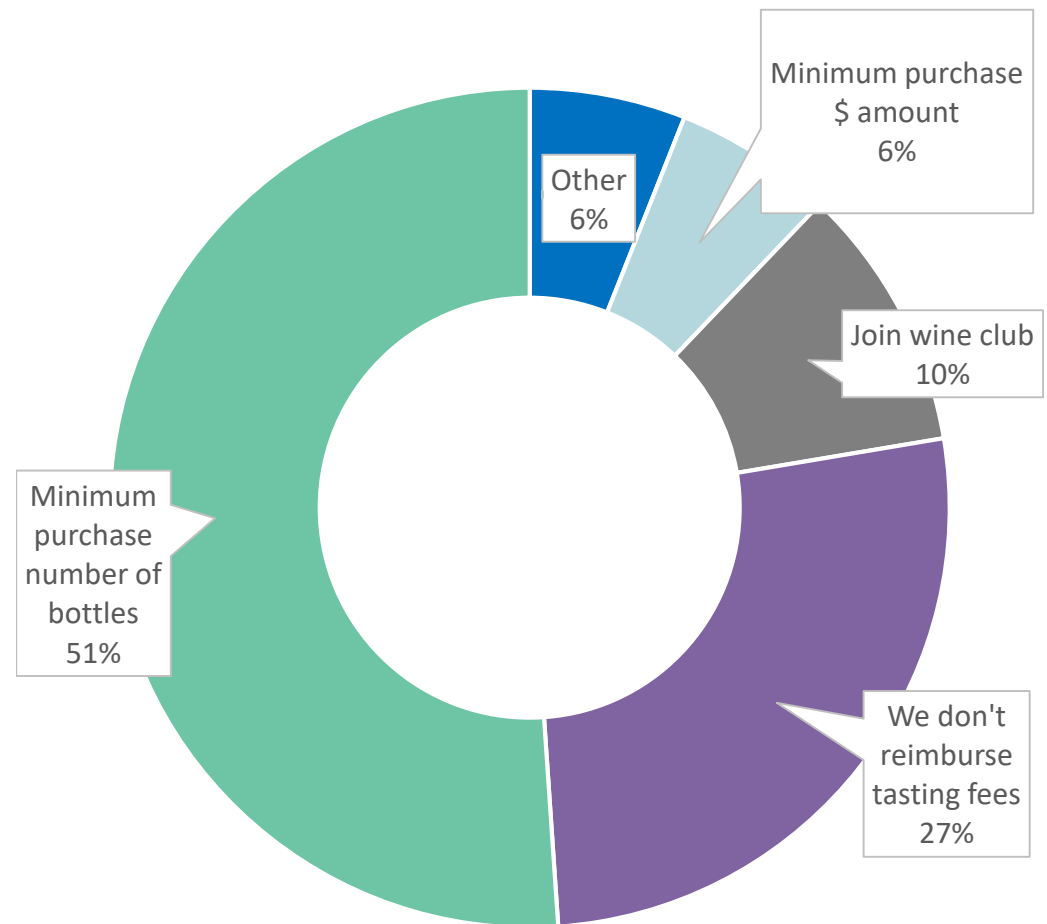
Reimbursement of tasting fees

Reimbursement practices were not found to have changed much since last year.

Only about a quarter of respondents who charge for tastings did NOT reimburse tasting fees. Therefore (based on the survey results) it is estimated that only around 15 per cent of wineries charge a non-refundable fee for the experience of wine tasting.

Over half of respondents who charged for tastings, reimbursed fees with a minimum bottle purchase (usually one bottle).

The proportion of respondents reimbursing fees based on joining the wine club increased from 4 per cent last year to 10 per cent.

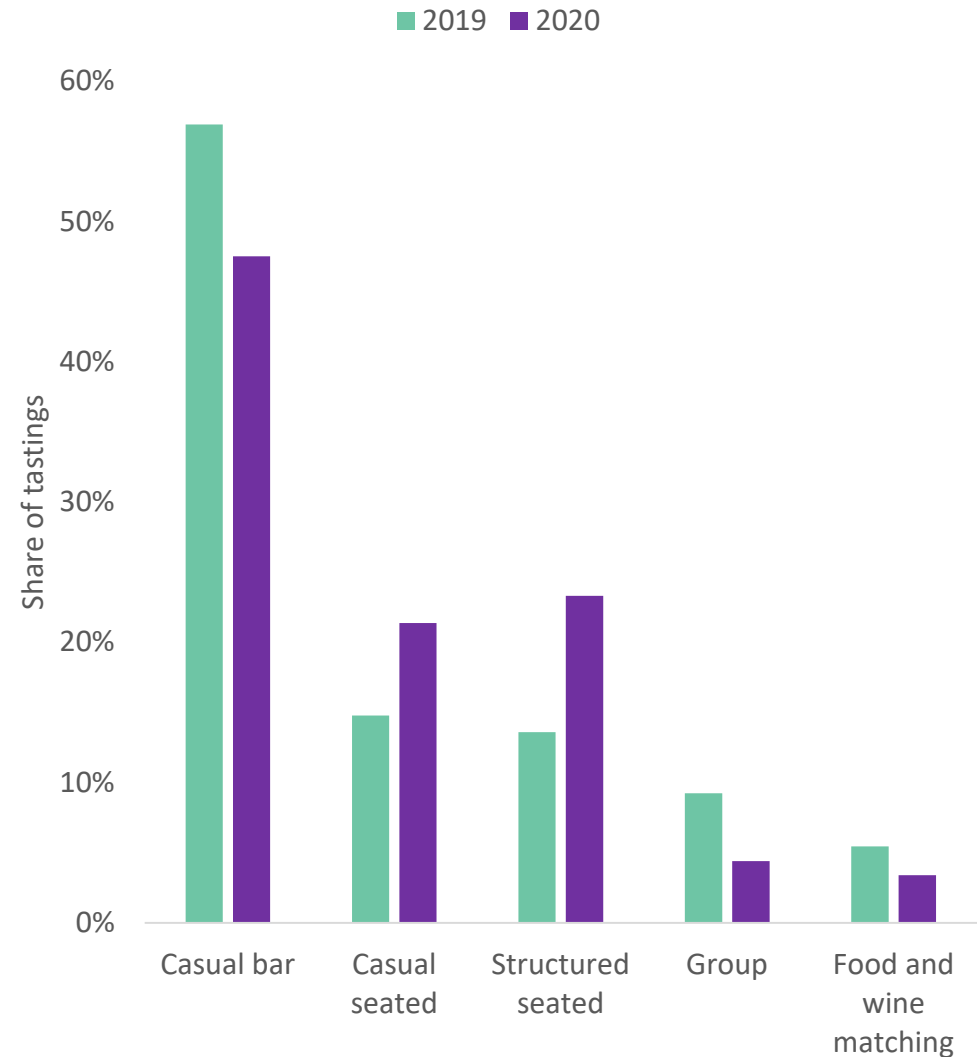


Tasting area layouts

Respondents were asked to estimate the percentage of tastings conducted in different styles/layouts as at 30 June 2020.

The change in tasting styles compared with what was reported in the 2019 survey is striking. Casual bar tastings still accounted for the largest share of tastings but reduced its share from 57 per cent to 48 per cent, while the share of tastings conducted seated increased from 29 per cent to 44 per cent.

The extent to which this change is a temporary effect of COVID-19 restrictions will be able to be measured in next year's survey.



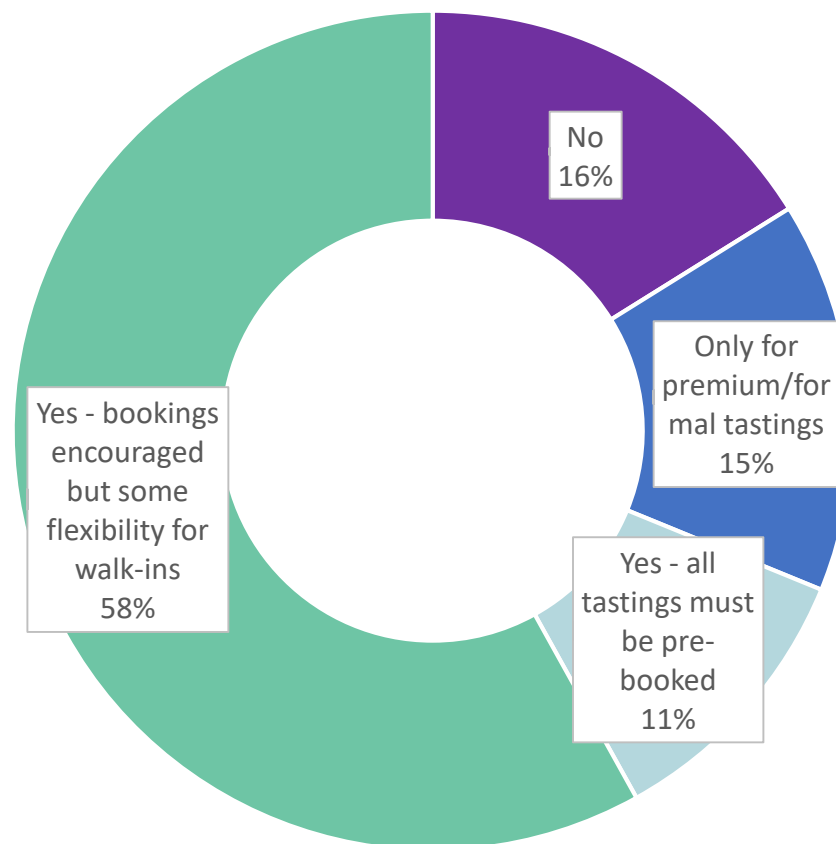
Taking bookings for tastings

As at 30 June 2020, 58 per cent of respondents were taking some bookings but allowing for walk-ins. Only 11 per cent required all tastings to be pre-booked, while 16 per cent did not do any bookings.

Overall averages do not allow differences between states and regions – eg based on different COVID-19 restrictions - to be determined.

Comments indicated another option should have been provided: bookings for large groups only. Some people also noted that the booking requirement had only been in place since (or during) COVID-19.

Bookings present a good opportunity for wineries to collect contact details, record visitor numbers and allocate resources ahead of time.

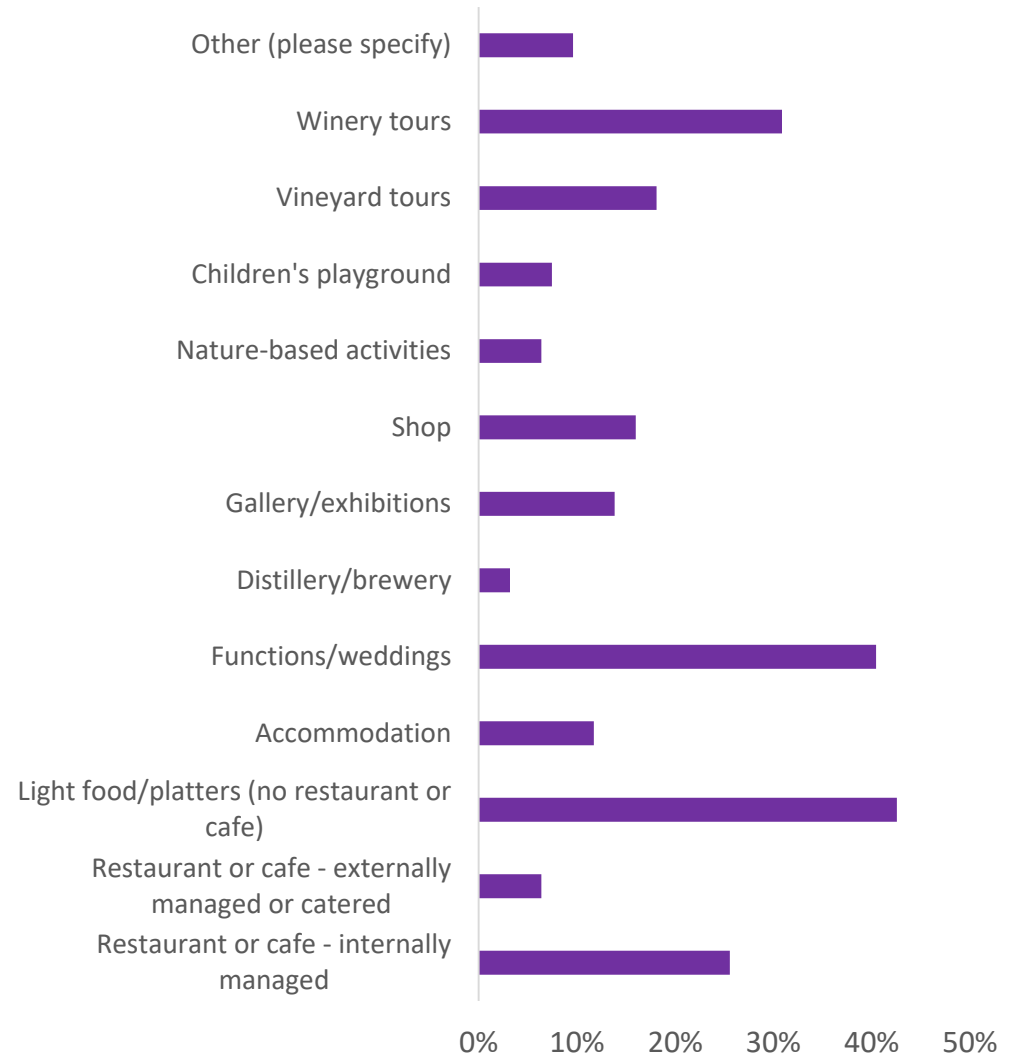


Other facilities and services offered at the cellar door

Most wineries offer additional facilities, activities and services for visitors, with respondents indicating an average of 2.3 of these each.

The most identified facility/service was light food platters, followed by weddings/functions. Nearly half of respondents reported offering weddings/functions, which suggests that they would have been subject to additional restrictions and loss of income due to COVID, which has particularly affected these activities.

‘Other’ nominations included picnic facilities and outdoor activities.



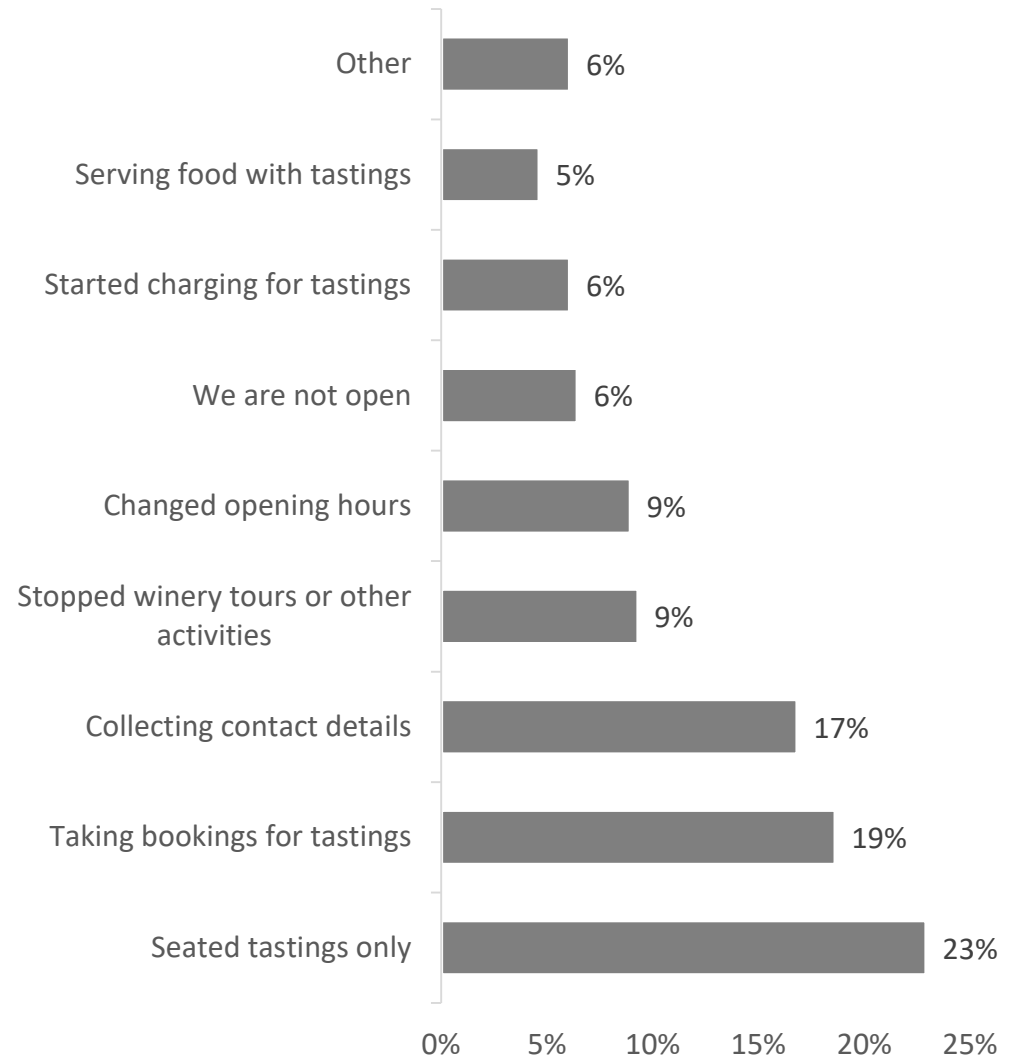
Responses to COVID-19 restrictions

Wineries have made numerous changes due to COVID-19.

On average, respondents made three changes each. These are significant changes, requiring substantial modifications to practices, infrastructure, resources, marketing and selling strategies.

The most identified changes were seated tastings only and taking bookings – consistent with the findings on the previous slides.

Some changes have already come and gone – or gone and come back again – depending on the state the respondent is in.





Wine clubs and databases

Overview of wine club operations

Nearly three-quarters (75 per cent) of survey respondents reported that they had one or more wine clubs.

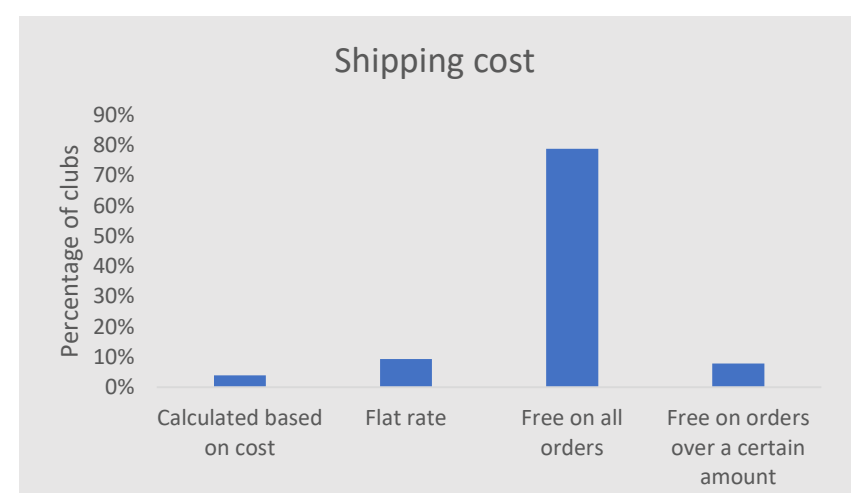
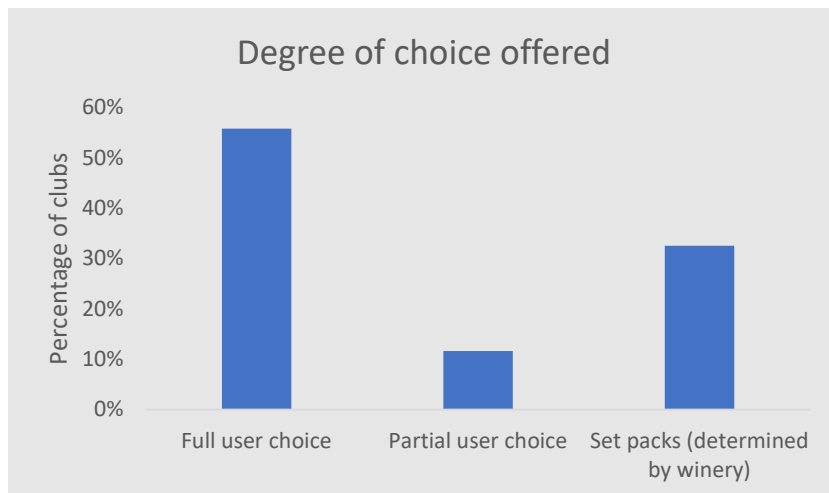
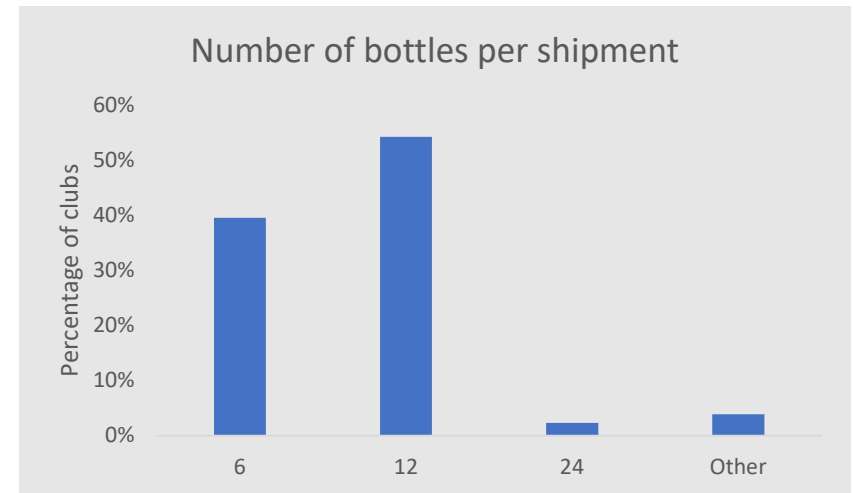
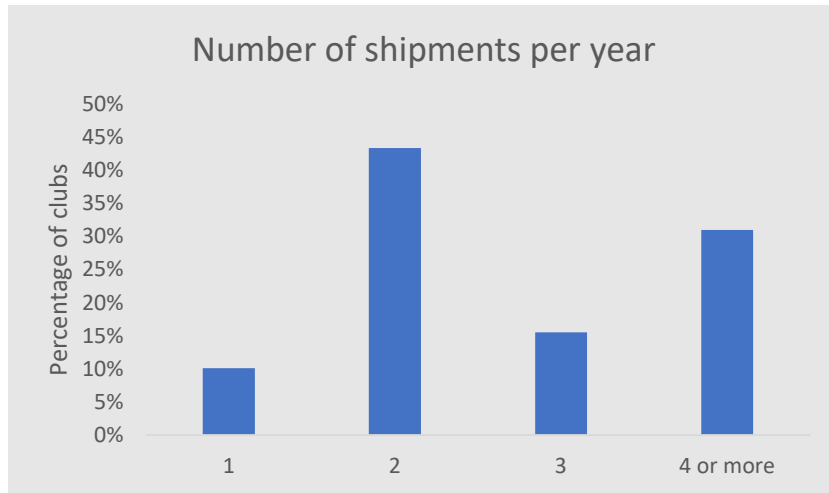
Most respondents had multiple tiers in their wine club, with numbers evenly split between one, two, three and four or more tiers.

There was no clear difference across the whole sample between the different tiers – ie tier 2 did not seem to offer a consistently different offer from tier 1 (such as more shipments, more bottles, different additional benefits). This does not mean that there are not clear differences for individual wineries, but there was no consistency in the changes that differentiate one tier from another across all respondents.

The results on the next page have therefore aggregated all the tiers in a summary of wine club offers. A very clear majority of clubs/tiers offer full user choice and free shipping on all orders, while two or four shipments per year are more common than one or three. 12 bottles per shipment was the most popular offer (54 per cent of clubs/tiers), but closely followed by 6 bottles (40 per cent of clubs/tiers).

Two-thirds (65 per cent) of respondents did not have an incentive program for staff who sign up club members. Of those that did, the main incentive was a cash amount or commission on sales, followed by vouchers/wine.

Summary of wine club offers



Wine club key metrics

The following metrics are fundamental to understanding how well a wine club is performing. They also enable the business to set targets, measure improvements and motivate staff. They can all be derived from the basic figures requested in the survey (shown in the right-hand column).

For assistance in calculating metrics or to request an individual benchmark report, please contact market.insights@wineaustralia.com

Metric	Calculation
Wine club share of revenue (total or DTC)	Wine Club (WC) sales <i>divided by</i> Total (or DTC) sales
Average value per shipment (order)	WC sales <i>divided by</i> Total number of shipments
Average value per member	WC sales <i>divided by</i> Number of members (avg for year)
Average shipments per member	Total shipments <i>divided by</i> Members (avg for year)
Club growth rate (percentage of new sign-ups)	New sign-ups <i>divided by</i> Members at start of year
Attrition rate (lost members)	Lost members <i>divided by</i> Members at start of year
Net club growth rate	(New sign ups <i>subtract</i> lost members) <i>divided by</i> Members at start
Growth in revenue (per member, per shipment, overall)	(Revenue year 2 <i>divided by</i> Revenue year 1) <i>subtract</i> 1
Conversion rate (visitors to club members)	New sign-ups <i>divided by</i> Total visitors to cellar door

Example calculation

Figures	Winery A
Production range (cases)	20,000-49,999
Total sales 2019–20	\$4.3 million
WC sales 2019–20	\$505 k
Shipments 2019–20	1611
Members end 2019–20	608
Sign-ups in 2019–20	138
WC sales 2019	\$461 k
Shipments 2019	1550
Members end 2019	597
Visitors 2019–20	10,008

Metrics	Winery A
WC share of total revenue	12%
Av value per shipment 2020	\$313
Av value per member 2020	\$830
Net club member growth rate	2%
Av value per shipment 2019	\$298
Av value per member 2019	\$808
Growth in shipment value	5%
Growth in member value	3%
Growth in WC revenue	9%
Conversion rate (visitors to members)	1%

Wine club benchmarks

The metrics in the table are averaged across all survey respondents who reported wine club measures. Some metrics cannot be calculated because of the amount of missing data (eg number of new sign-ups and lost members, sales figures for the previous year).

While these benchmarks can be used as a rough guide for the sector, the degree of variation between club sizes and offers means that the average may not be meaningful as a comparison for individual businesses. It is more important for businesses to calculate their own benchmarks and use these going forward to assess the performance of their wine club business each year.

The quality of the data provided indicates that many wineries do not collect the statistics required to calculate these key performance metrics.

The survey is designed to help wineries collect more data on their business. For help getting started, contact market.insights@wineaustralia.com

Metrics	Survey respondents
WC share of total revenue	6%
Av value per member 2020	\$485
Av value per shipment 2020	\$202
Net club member growth rate	9%
Av shipments per member	2.4
Av value per case 2020	\$254
Growth in WC revenue	12%

Database benchmarks

The metrics in this table are averaged across all survey respondents who reported specific database sales values *and* number of contacts. This was less than half of all respondents.

As stated on the previous slide, while these benchmarks can be used as a rough guide for the sector, the average may not be meaningful as a comparison for individual businesses. It is more important for businesses to calculate their own benchmarks. Knowing the average value per contact, for example, is important if staff are being paid an incentive for collecting email addresses.

The number of contacts in a database can be easily determined by counting names – no matter what type of database it is. Including the date that a name was added enables the business to keep track of growth rates in contacts, length of time that people stay on the list etc. Integrating the database with sales records enables accurate reporting of sales per contact etc.

Metrics	Survey respondents
Database share of total revenue	3%
Growth in database revenue	21%
Av value per case 2019–20	\$161
Growth in average case value	13%
Av number of contacts 2019–20	7700
Database contact net growth rate	14%
Av value per contact 2019–20	\$25.31
Growth in av value per contact	18%



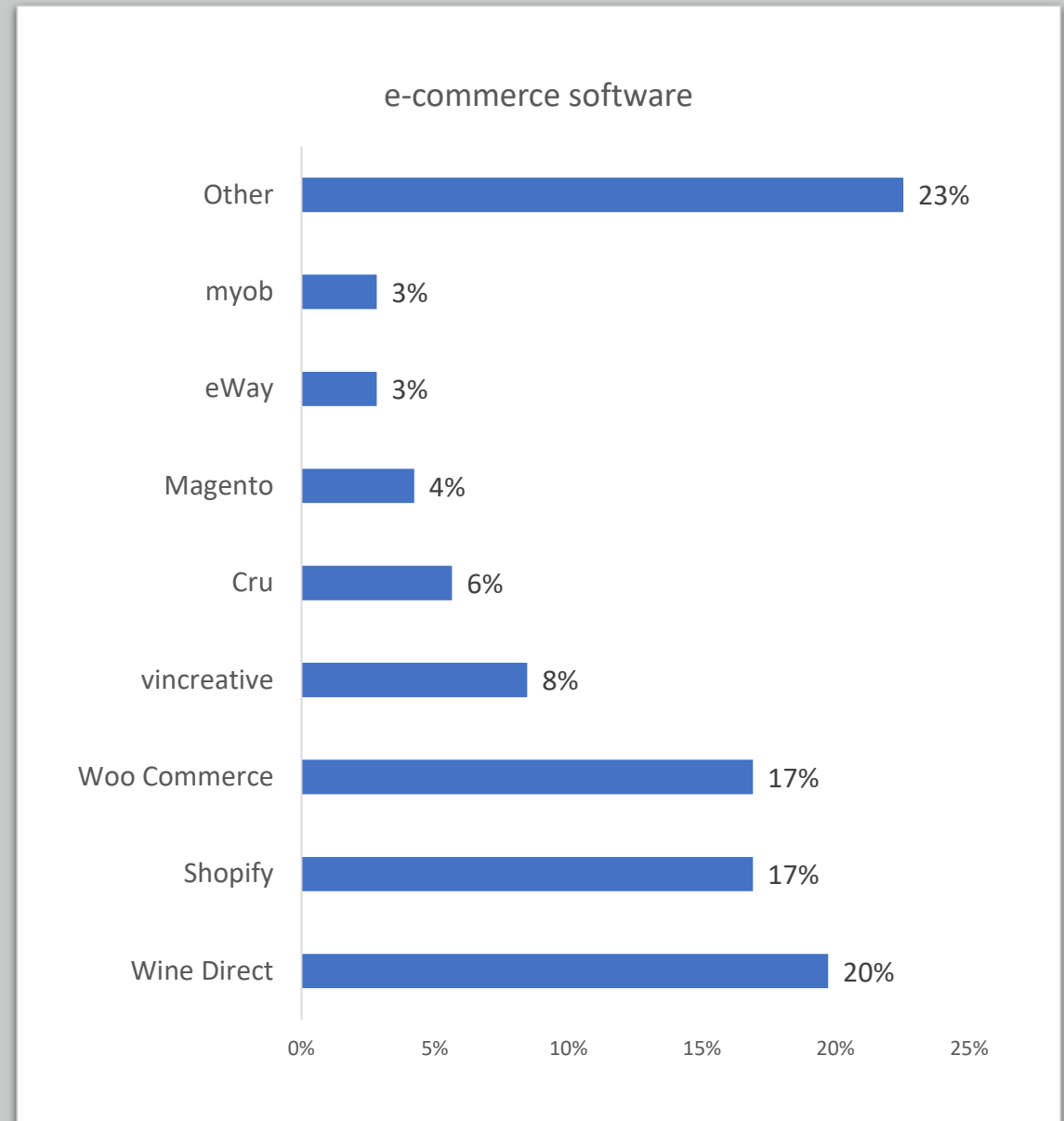
Managing DTC business

Managing DTC business

Most survey respondents reported 2–3 different communication methods with their customers/ mailing list, with email marketing service the most popular (80 per cent used this method) followed by personal phone calls (40 per cent), direct emails (40 per cent) and social media direct messaging (39 per cent).

80 per cent of respondents reported using an e-commerce platform, but there was a big range in products being used (see table). The 'other' category included 16 different nominations.

The majority (58 per cent) of respondents had a dedicated person responsible for direct-to-consumer marketing, although comments indicated that in many cases this person had multiple roles and/or was part-time.

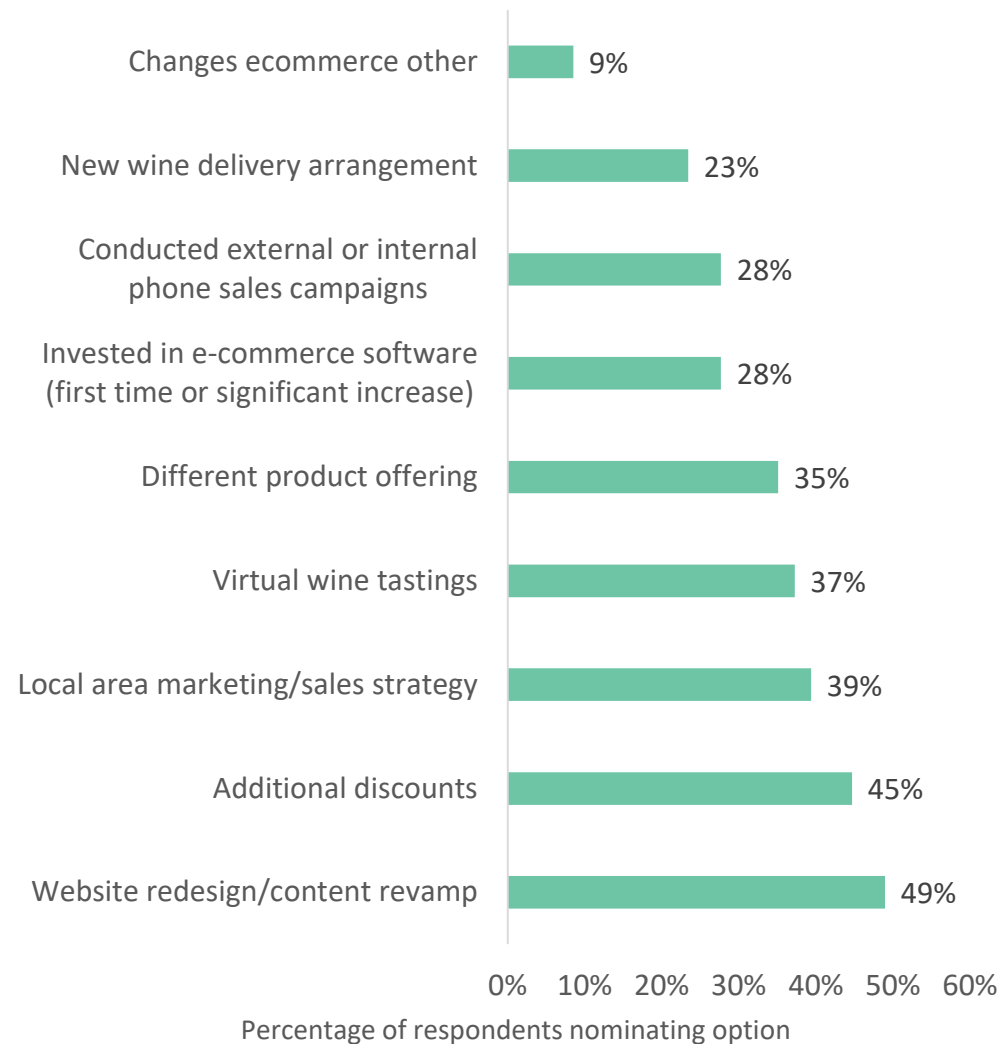


Business changes since COVID-19

Wineries have made numerous changes to their wine club/database/online business since and as a result of COVID-19.

On average, respondents nominated nearly three changes each from a list of marketing/product-related options provided.

The most identified changes were website changes and additional discounts, with nearly 50 per cent of respondents providing additional discounts in this area of their business.





Looking ahead

New practices for 2020–21

Respondents were asked to nominate the most important new practice they had implemented in response to the COVID-19 pandemic, that they intend to keep doing in future, even once all restrictions are lifted.

Most responses centred around increased engagement with customers, changes to cellar door (see page 22), investment in technology and maintenance of hygiene requirements. The illustration below shows the most frequent words used, while the following page has a selection of individual responses.

A word cloud illustrating the most frequent words used by respondents to describe new practices for 2020–21. The words are arranged in a roughly rectangular shape, with 'tastings' and 'bookings' being the most prominent. Other significant words include 'cellar door', 'experiences', 'seated', 'tasting', 'will', 'paid', 'offers', 'increased', 'targeted', 'customers', 'communication', 'sales', 'online', 'sales', 'new', 'now', 'regular', 'continue', 'Sitting', 'tasting', 'Charging', 'tasting', 'will', 'regular', 'Paid', 'continue', 'offers', 'Sitting', 'tasting', 'experiences', 'seated'.

tasting fee Encouraging customers communication sales online sales
increased targeted Cellar Door Invest
seated tastings new tastings now
bookings Charging tasting will regular Paid continue offers
Sitting tasting experiences seated

Most important new practice

Selected individual responses

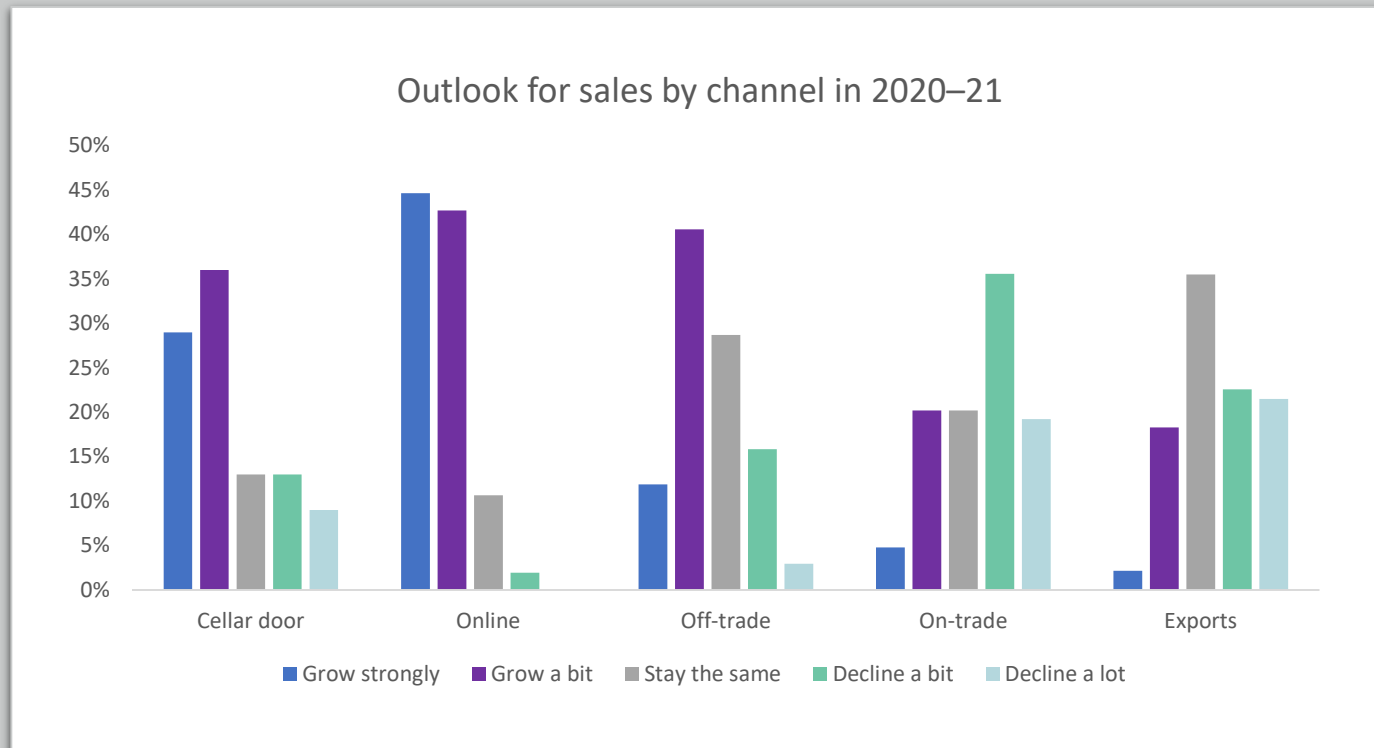
- *Bought a dishwasher to make sure glasses are heated as per new COVID regulations*
- *Charged for tastings and being in control of who enters the winery*
- *Charging for tasting, seated tastings and bookings for all tastings. This has changed our Cellar Door business significantly in a positive way, we will maintain this in the future.*
- *Increased engagement with Club members. Increased frequency of offers.*
- *Invest in technology for DTC sales*
- *Limit tastings in Cellar Door and increase booked, sit down tastings in outdoor area. We have found sales have increased not having the Cellar Door clogged with tasters*
- *Seated tastings are assisting with engagement of customers and member sign ups, we will definitely include this as an offering post COVID*
- *Step up digital activity*
- *New wine club. Dedicated space for more formal tastings*
- *Hygiene and make the place safe to everybody, including myself. And let people know through social media.*


Business outlook for 2020–21

The sales outlook forecasts are generally positive and suggest that respondents expect to be in a position to grow their businesses next year, particularly DTC channels.

Most respondents expected cellar door, online and off-trade sales to grow in 2020–21. Online had the strongest growth outlook.

The majority of respondents expected the on-trade to decline in 2020–21, while exports were mainly expected to stay the same (although this category also includes ‘not applicable’).





Survey method, disclaimer and credits

Survey method

The Wine DTC survey 2020 was conducted by Wine Australia for the third time in 2020, using the same method as in 2019. The survey was conducted via an online survey using Survey Monkey.

An invitation to participate was sent to over 2000 wineries in August 2020. 108 respondents completed the survey (compared with 180 in 2018 and 124 in 2019). The further decline in response rate compared with 2019 may be attributable to the additional challenges associated with managing a business during the COVID-19 pandemic. It is a relatively time-consuming survey to complete. However, the data requested is essential for understanding business profitability by channel, as well as for setting targets, measuring growth and incentivising staff.

Wine Australia is committed to supporting businesses in improving their collection of data to help with managing their business. Any Australian wine business reading this report, who did not complete the survey, is invited to request a copy of the survey form from Wine Australia by emailing market.insights@wineaustralia.com. Assistance with calculating benchmarks can also be provided.

Despite the low response rate, the results show a good alignment with last year's results and with other sources of data for the overall wine sector. However, there were insufficient responses to allow detailed analysis by region or winery size.

The survey was conducted in collaboration with Wine Business Solutions, who received de-identified data for further analysis. The International Report produced by Wine Business Solutions covers some detailed analysis of the survey results not included in this report as well as international comparisons. Copies of the International Report *Taking the Direct Route* can be ordered from <https://winebusinesssolutions.com.au/>. Australian wine businesses can receive a 50% discount on the normal price. Email market.insights@wineaustralia.com to request the discount code.

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