

2024

DIRECT TO CONSUMER

Wine Shipping Report

2023 YEAR IN REVIEW

SOVOS
ShipCompliant

**WINE
BUSINESS**
ANALYTICS

Direct-to-Consumer Wine Shipping in 2023

Volume declines & ABP climbs—again;
value flat; notable regional variances

Volume declines for
second year



-6.5% Volume

Value nearly flat



+0.1% Value

Washington outperforms all regions
Only area with a volume increase



+5.5%
Volume

+11.0%
Value



Shipments to
California plunge
*Largest decline
of any state*



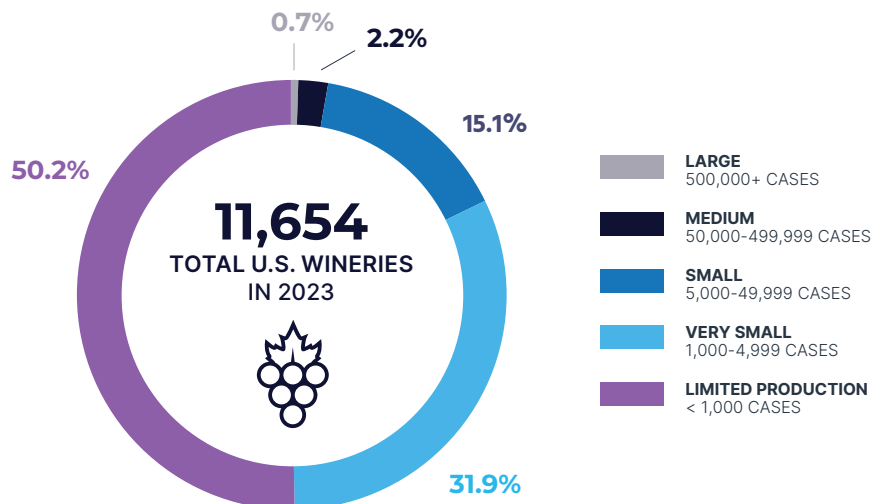
-14.4%
Volume

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Creation of the DtC Report

This report is an annual collaboration between Sovos ShipCompliant and WineBusiness Analytics. It analyzes anonymized, detailed direct-to-consumer (DtC) shipment data from more than 1,250 U.S. wineries to consumers each month, totaling more than 37 million shipments over the course of the year in 2023. Employing the WineBusiness Analytics model, the anonymized sample data is projected to the universe of U.S. wineries, to report whole market DtC shipments from all wineries to consumers. DtC purchases picked up or carried out from wineries are not included. Each shipment is edited for submission for governmental tax and reporting requirements. Additionally, elements such as varietal are validated by standardized tables. The data is submitted to a proprietary model that applies weighting to ensure that aggregated transactions evenly reflect winery size, location and average bottle price. The model is built on a database of 11,500+ wineries updated monthly by WineBusiness Analytics. This database is a near census of U.S. wineries (>99%). The model incorporates recognized statistical techniques to identify outliers and data anomalies (for more details on methodology, see the final page of this report).



Overview

In 2023, wineries continued to grapple with escalating costs. As a result, the average price per bottle shipped increased for the third consecutive year, to \$48.35—an increase of 7.1% from the previous year. Wine enthusiasts responded by reducing their shipments by 6.5% from 2022, a drop of nearly 500,000 cases shipped and an unprecedented third year in a row of reduced shipments, on the heels of record-high outcomes driven by the global pandemic in 2020 and 2021. Despite this downturn and in a sign of the shipping channel's resilience, the value of the direct-to-consumer shipping channel remained steady at \$4.1 billion, due largely to demand for the highest-priced wines remaining stable.

Driving the declines in 2023 were fewer shipments of less expensive wines. Wines with an average price of under \$30 per bottle, representing just over 43% of the DtC shipping channel, saw a 12.9% decline in the volume of shipments. Meanwhile, wines priced at \$100 or above—less than 10% of the shipping channel—saw a 5.6% increase in shipments. This dynamic represents a classic case of inflation having its biggest impact on consumers of more modest means while higher-income consumers avoid significant impact from rising prices.

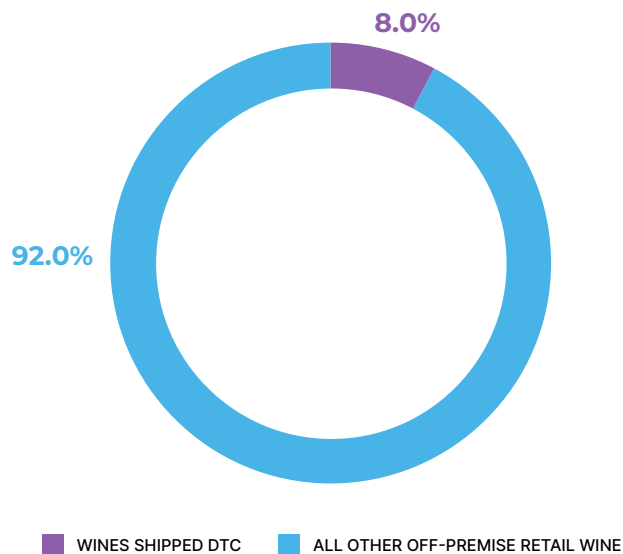
Nevertheless, the decrease in shipments in 2023 hit nearly every type of wine and every region tracked, save for Washington State wineries, which bucked the trend and increased their volume and value of shipments. Most impacted by slower consumer sales and shipments were the largest wineries with their less expensive wines. The largest U.S. wineries took a 12.9% increase in the average price per bottle shipped and experienced a 13.2% decrease in the volume of shipments.

While the DtC shipping channel in 2023 was unable to escape the effects of inflation and climbing interest rates that impacted both wineries and consumers, producers also felt the decline in alcohol consumption, primarily by younger Americans. Additionally, wineries confronted continued competition not just from expanded choices in the alcohol space, but also from a growing number of states legalizing cannabis, which undoubtedly has an impact on alcohol sales. Finally, 2023 saw the wine industry begin to wake up to increasing efforts by influential health organizations seeking to brand alcohol, including wine, as inherently dangerous. All this, in some measure, impacted the DtC shipping channel in 2023.

Overview (Cont'd)

In 2023, winery DtC shipments represented 8.0% of all off-premise sales of domestically made wines. This reduction from last year's 12.0% is due in most part to the Bureau of Economic Analysis restating total U.S. sales of domestic wines dating back to 2013. According to Jon Moramarco, managing partner at bw166, total estimated off-premise sales of domestic table and sparkling wines in 2023 were \$51.4 billion — including the \$4.1 billion shipped direct-to-consumer — compared to \$34.3 billion in 2022.

DTC AS PERCENT OF TOTAL OFF-PREMISE SALES OF DOMESTICALLY MADE WINES



Throughout this report, we detail how these influences played out across the industry in 2023, highlighting important trends and significant outliers, and delving deeper into how wineries of different sizes and locations responded to another year of declining demand. Now in its 14th year, the Direct-to-Consumer Wine Shipping Report describes a DtC channel that looks very different than it did a decade ago.



2023 Highlights

Volume of shipments declines for an unprecedented second year in a row

2023 marked the second year in a row the amount of wine shipped DtC declined from the previous year, with volume of shipments down 6.5% and value of shipments eking out a minimal 0.1% increase over 2022. In the 14-year history of this report, no volume decline has been recorded for two consecutive years; of course, these downward trends may not be unexpected after the record-setting volumes of 2020 and 2021.

Inflationary pressures push average price per bottle up significantly for third year in a row

At \$48.35, the average price per bottle shipped in 2023 increased by 7.1% over 2022. Historically, the 7.1% increase is well above the average year-over-year change in the average price of a bottle shipped, though lower than the 9.7% and 11.8% increases in 2022 and 2021, respectively.

Lower-priced wines shipped by largest wineries take biggest hit to shipping volumes

The lower the price of the wine, the greater the decrease in volumes shipped through the DtC shipping channel in 2023. The largest wineries, with their lower average price per bottle, saw the largest declines in shipping volumes, down 13.2% from 2022.

Shipments to California consumers see significant drop-off from 2022

Winery shipment volume to California-based consumers declined by 14.4% from 2022, more than twice the size of the decline of the

overall DtC channel and the largest year-over-year decline in shipments to California customers since 2010.

Shipments from Washington State wineries show impressive strength

While the volume and value of shipments in all other regions saw decreases in volume and flat or declining value of DtC wine shipments, Washington State wineries impressed with a 5.5% increase in the volume of shipments and an 11.0% increase in the value of those shipments over 2022, by far the best performance of any region tracked.

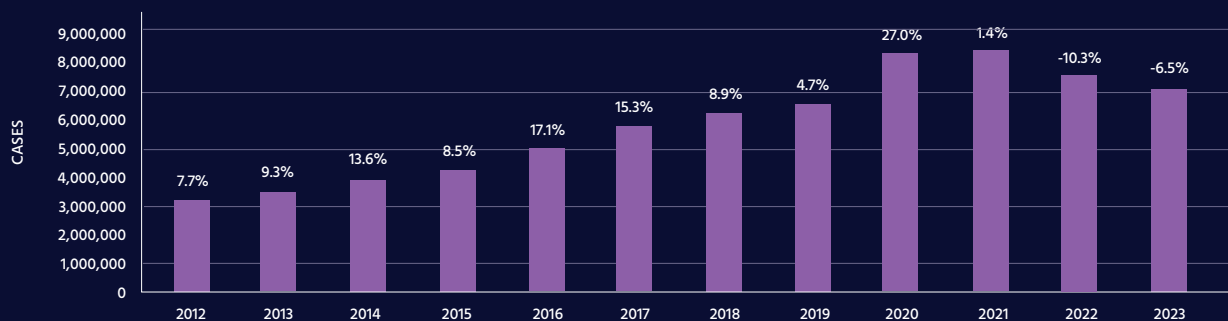
Washington State Cabernet Sauvignon soars

Shipments of Washington State Cabernet Sauvignon jumped 22.4% in volume and 34.2% in value over 2022, despite taking a 9.7% increase in the average price per bottle shipped.

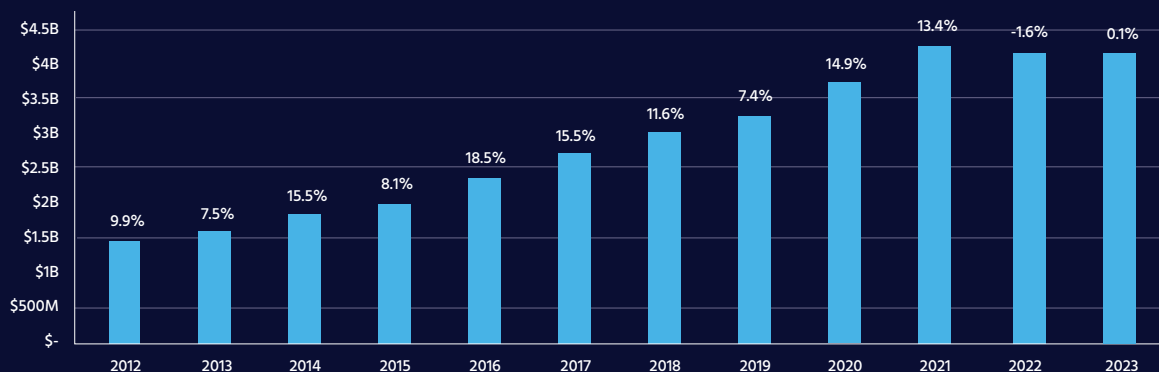
Summer shipments see precipitous decline

The summer months of June, July and August, while normally among the slowest time of the year for DtC shipments, saw a precipitous drop off from 2022, recording a 13.1% reduction in the volume of wine shipped.

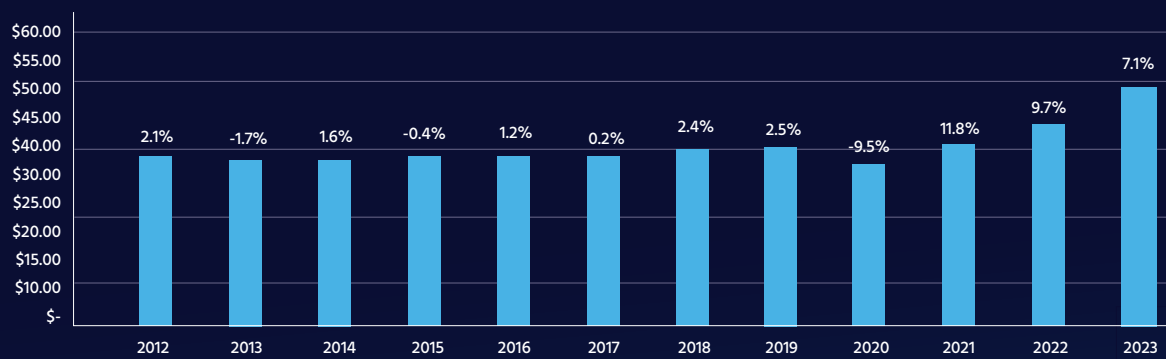
Volume Of Shipments With Annual Volume Growth 2012-2023



Value Of Shipments With Annual Value Growth 2012-2023



Average Price Per Bottle Shipped 2012-2023





2023

Month-by-Month Analysis

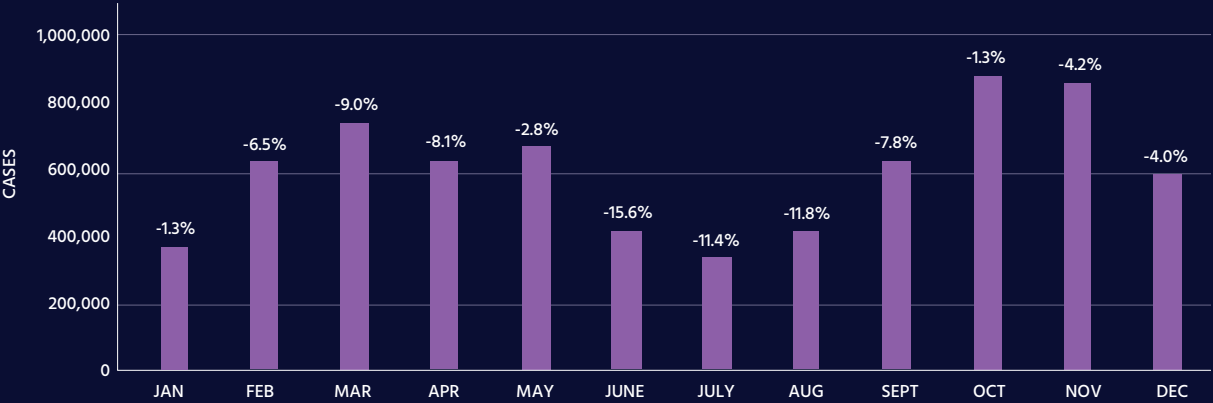
Observing the 2023 DtC shipping channel on a month-by-month basis, long-established seasonal patterns continued even while every month saw a decrease in the volume of wine shipped from 2022. Spring and fall months, traditionally associated with the bulk of wine club shipments, again saw the greatest volumes. Spring months (March, April, May) saw 28.4% of all wine shipped, while the fall months accounted for 32.9% of all shipments.

Summer (June, July, August) saw a significant drop-off in shipments from 2022. From June through August, the volume of wine shipments fell 13.1% from the previous year. The slide in summer shipments follows a similar decrease in 2022 from 2021. The National Aeronautics and Space Administration (NASA) reported that summers in 2023 and 2022 were the hottest and fourth hottest summers, respectively, ever recorded in the United States and may well account for the decrease in shipments during those months.

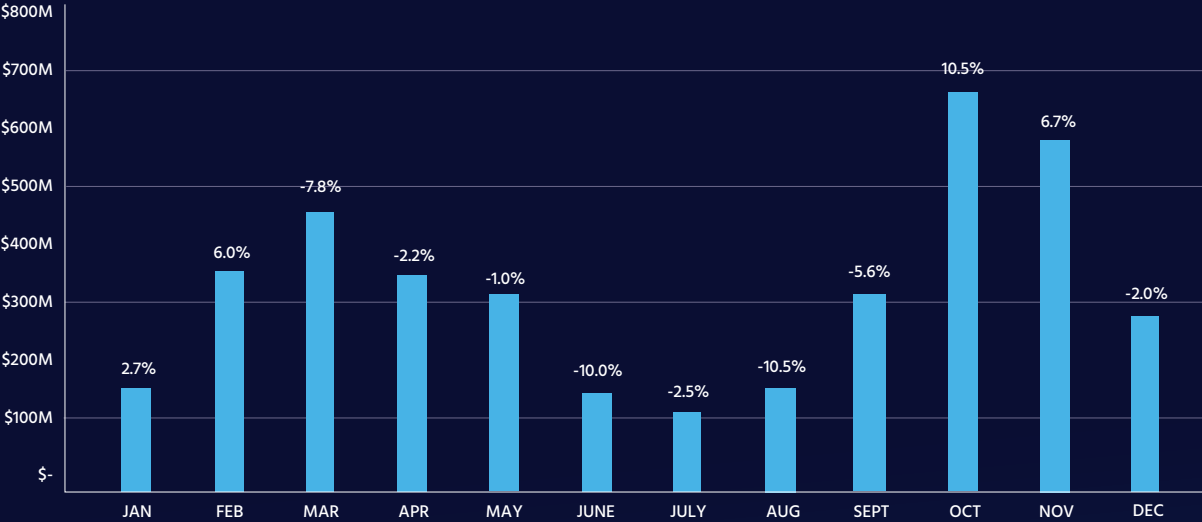
Finally, we take note that fall wine shipments came with a significant price increase. The average price per bottle shipped in October and November climbed by 11.9% and 11.4%, respectively, from 2022. The average price per bottle shipped in October reached \$63.96, while November shipments increased to \$58.16.



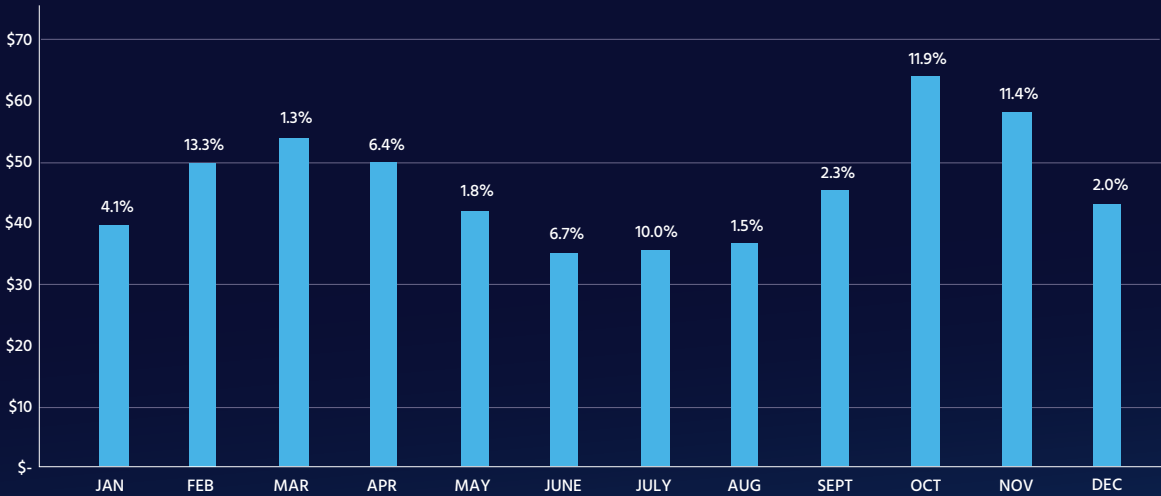
Volume Of Shipments By Month With Annual Change



Value Of Shipments By Month With Annual Change



Average Bottle Price By Month With Annual Change





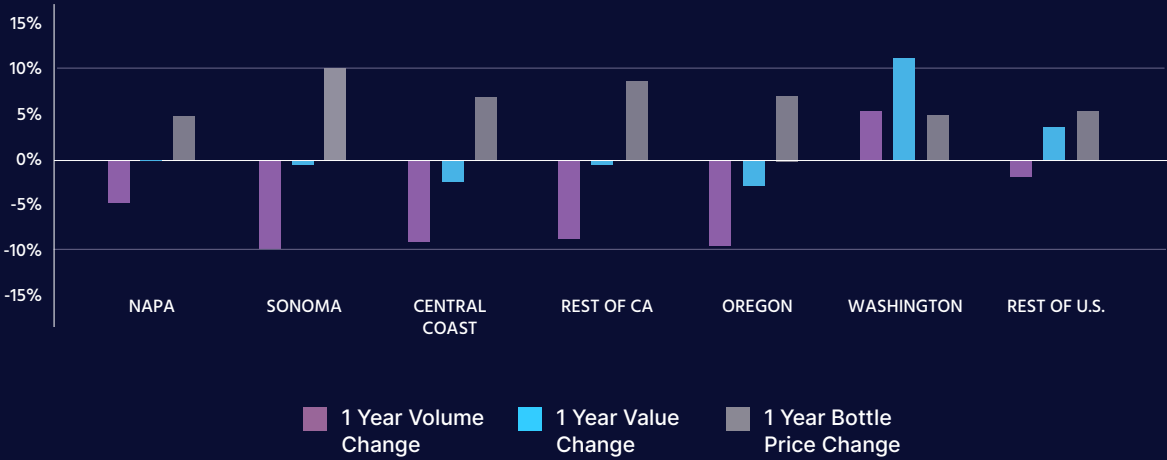
Analysis by Winery Region

Except for one of the seven regions we track in this annual report, each region saw a decline in the amount of wine shipped compared to 2022. In some cases, such as Oregon and Sonoma, the volume of shipments in 2023 declined by more than 9%. It is no coincidence that this broad decline in volume was accompanied by an across-the-board increase in the average price per bottle shipped. Sonoma County saw the largest increase in price with its 10.1% jump over 2022.

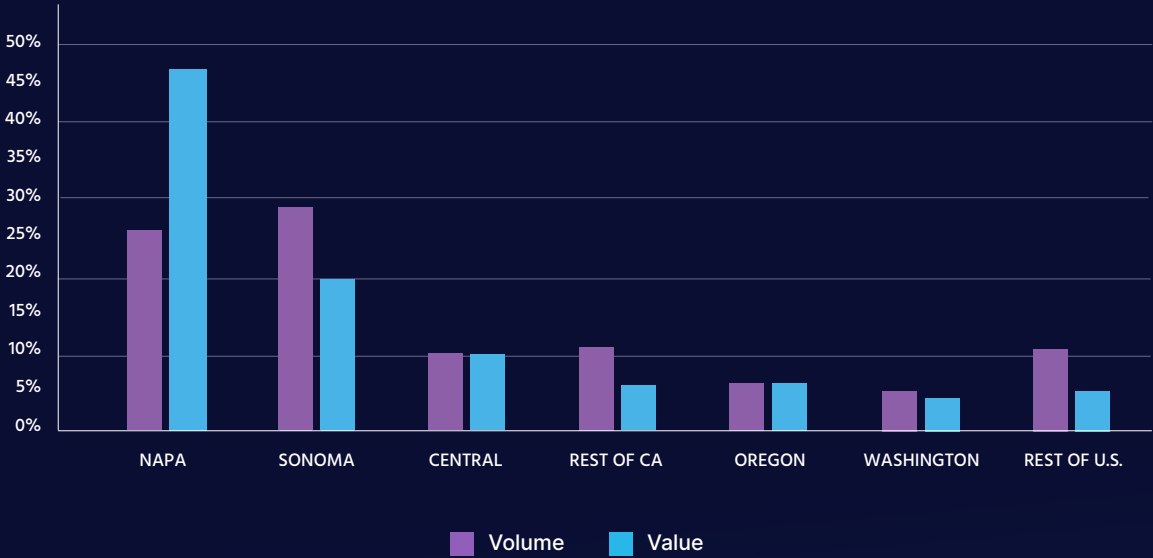
Yet, some things don't change. As has been the case for over a decade of this report's production, shipments from Napa Valley wineries dominated in total value of shipments. Despite sending 26.4% of the total volume of shipments through the DtC channel in 2023, those wines accounted for 47.1% of the total value of the channel, representing just under \$2 billion in shipments. This is thanks to Napa wineries' \$86.43 average price per bottle shipped in 2023—the highest-ever price per bottle shipped for the region. Sonoma County, meanwhile, maintained its position at the top for volume of wines shipped by sending nearly 30% of all wines shipped directly to consumers.

The anomaly in 2023 was the performance of Washington State wineries. With its lower-than-average increase in price per bottle shipped of 5.2%, bringing its average price to \$39.90, Washington wineries still increased their volume of shipments by 5.5%—far and away the best performance of any region we track. Washington wineries netted an 11.0% increase in the value of shipments—again, by far the best performance of any region we track in this report. On the flip side, Oregon wineries saw a hefty 9.2% decrease in their volume of DtC shipments and a 2.6% decrease in the value of those shipments.

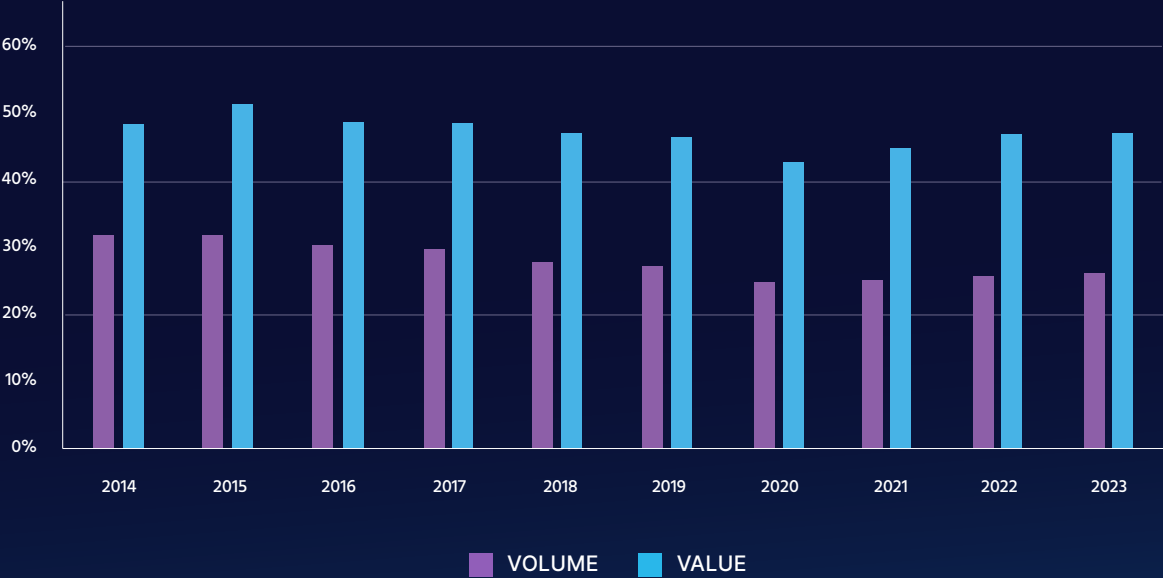
Change In Volume, Value And Price By Region



Share Of Total Volume & Value By Region



Napa: Share Of Volume And Value, 2014-2023



Napa County

The average bottle of wine sold at retail in the United States costs roughly \$12.00; the average bottle shipped DtC, \$48.35. We note this to emphasize the outlier nature of Napa County wine shipments. In 2023, the average bottle of wine shipped from a Napa County winery to a consumer cost \$86.43. Even with the 4.7% decline in the volume of shipments from Napa County wineries in 2023, just under \$2 billion worth of wine was shipped from Napa directly to consumers last year, representing no significant change from 2022. We've observed it before but it bears repeating: While many wine regions aspire to become the "New Napa," no winemaking region comes close to achieving that goal.

Napa Cabernet Sauvignon continues to dominate shipments from the region. In 2023, the average price of a bottle of Cabernet Sauvignon shipped to a consumer was \$131.94, which includes its 0.3% increase

over 2022 and which led to a 5.7% and 5.3% decrease in volume and value, respectively. In the 14 years this report has been produced, the average price per bottle of Napa County Cabernet Sauvignon shipped to consumers has seen a year-over-year reduction just once, in 2020.

While 30.7% of the volume of shipments from Napa County are Cabernet Sauvignon, shipments of Red Blends, Chardonnay and Pinot Noir made up 34.0% of Napa shipping volume. It's notable that all three wines saw significant increases in the value of their shipments, at 11.4%, 12.1% and 7.7%, respectively. The increased value of Red Blends, Chardonnay and Pinot Noir over 2022 amounted to an additional \$63 million in shipping value. Notably, Red Blends from Napa County increased their average price per bottle shipped to \$127.33, approaching near parity with Napa Cabernet Sauvignon.

Total Value	\$1,950,057,225
Total Volume In Cases	1,880,212
Avg. Price Per Bottle	\$86.43
Value % Of Total	47.1%
Change In Value	0.0%
Volume % Of Total	26.4%
Change In Volume	-4.7%
Change In Avg. Price Per Bottle	4.9%



Sonoma County

Sonoma whizzed by Napa in 2018 as the leading region for shipments by volume and hasn't looked back since, despite its lead narrowing in 2023. That winnowing resulted from a 9.6% decrease in total cases shipped from last year, due mainly to its largest ever year-over-year increase in average price per bottle of 10.1%, bringing the average price of wine shipped to \$33.04. The increased price of Sonoma wines, and resulting decrease in volume, led to an essentially flat 0.5% decrease in the value of wines shipped from Sonoma County in 2023. Over the past two years, Sonoma County wineries have seen their volume of wine shipped decrease by 22.4%.

Despite the significant increase in prices, consumers seemed to have a certain appetite for Sonoma County Pinot Noir in 2023. While Sonoma County Pinot Noirs increased their average price per bottle shipped by 8.2% to

\$48.77, these wines saw a mere 0.8% drop in volume from 2023, an impressive performance that led the county's Pinot Noir producers to realize a 7.3% increase in the value of their shipments—amounting to over \$230 million during 2023, a \$16 million increase in shipments over 2022.

Sonoma County Zinfandel shipments also performed relatively well last year. Despite taking a 14.8% increase in their average price per bottle shipped, the volume of Zinfandel shipments decreased only 6.4%, leading to a 7.5% increase in the value of those shipments and an average price per bottle shipped of \$30.27.

These were the sole sources of good news for the Sonoma County DtC shipping channel, which generally saw its price increases depress shipment volumes.

Total Value	\$829,084,238
Total Volume In Cases	2,090,808
Avg. Price Per Bottle	\$33.04
Value % Of Total	20.0%
Change In Value	-0.5%
Volume % Of Total	29.3%
Change In Volume	-9.6%
Change In Avg. Price Per Bottle	10.1%



California Central Coast

This is the fifth year we have separately tracked wine shipments from Central Coast wineries, which represent producers located in Monterey, Santa Cruz, San Benito, San Luis Obispo and Santa Barbara counties. Representing a solid 10.2% of the volume of DtC wine shipments, Central Coast wineries in 2023 slightly underperformed the overall DtC shipping channel with their 7.0% increase in average price per bottle shipped, 8.6% decline in volume shipped and 2.2% decrease in the value of shipments.

Looking back over the five years of tracking, the most shocking outcome is that in this time, Central Coast wineries have increased their average price per bottle shipped by 41.7% to \$47.51 in 2023. The region that comes the closest to matching this huge price increase is Napa County, which has seen a 24.6% increase since 2019. It should be no surprise then that the Central Coast region is alone among the seven regions we track to have a reduced volume of shipments since 2019.

Five wines—Red Blends, Pinot Noir, Cabernet Sauvignon, Other Reds and Chardonnay—accounted for two-thirds of the volume shipped from Central Coast wineries in 2023.

Among these five wines, Red Blends is the top, accounting for 20.5% of all shipments. Yet, no wine performed more miserably in 2023 than these Red Blends. Despite its average price per bottle shipped declining by 0.6%, its volume of shipments shrank by a hefty 15.6%, leading to a decrease in the value of Red Blend shipments of 16.0%. In real terms this means 27,000 fewer cases of Red Blends shipped to consumers in 2023, representing an \$18.7 million reduction in the value of shipments.

Central Coast Chardonnay shipments deserve highlighting for a different reason. Despite these wines seeing a 16.6% increase in average price per bottle shipped to \$43.11, the volume of shipments showed relative strength by declining only 8.6%. The result was a 6.5% increase in the value of Central Coast Chardonnay to \$32.7 million in 2023.

Finally, we draw your attention to Rosé shipments from the Central Coast as an example of the downward trend seen with this wine. Central Coast Rosé shipments defied the inflationary trend by only increasing their average price per bottle shipped in 2023 by 3.1%. However, the volume of Rosé shipments from Central Coast wineries declined by 23.6% from 2022. This resulted in a decrease in the value of shipments of 21.3%. As we will see, Rosé saw a similar deceleration in shipments across the board.

Total Value	\$415,567,988
Total Volume In Cases	728,934
Avg. Price Per Bottle	\$47.51
Value % Of Total	10.0%
Change In Value	-2.2%
Volume % Of Total	10.2%
Change In Volume	-8.6%
Change In Avg. Price Per Bottle	7.0%



Rest of California

After three straight years of overperforming the DtC shipping channel, this highly diverse region underperformed the channel in 2023. Its 8.6% increase in prices led to an 8.4% decrease in volume of wine shipped and a 0.5% drop in the value of DtC wine shipments.

The most important factor driving the underperformance of these wineries' DtC shipping efforts in 2023 was Cabernet Sauvignon. The 17.6% increase in average price per bottle shipped over 2022 resulted in a 26.1% decrease in volume—amounting to 30,000 fewer cases shipped versus 2022. To put this in perspective, although Cabernet Sauvignon shipments from the Rest of California wineries accounted for 10.6% of the total volume of shipments from the region, the 30,000-case decline in shipments of this wine represented 41.0% of the region's total loss of 72,000 cases from 2022.

Pinot Noir from the region took an opposite route from Cabernet Sauvignon in 2023. In the case of Pinot Noir shipments, we see the value of holding prices steady. The average price per bottle shipped of Pinot Nor decreased 0.1% from 2022. The result was a 12.3% increase in both volume and value.

Rosé's decline as mentioned in the Central Coast section above is duplicated in the 2023 Rest of California shipments. Despite being among the very few Rest of California wines that saw a decline in the average price per bottle shipped (-4.1%), the volume of Rosé from these wineries decreased by 26.5% from 2022 while experiencing a 29.5% downturn in the value of shipments. Quite clearly a dip in demand for this wine via DtC shipping is underway.

Total Value	\$259,635,453
Total Volume In Cases	793,370
Avg. Price Per Bottle	\$27.27
Value % Of Total	6.3%
Change In Value	-0.5%
Volume % Of Total	11.1%
Change In Volume	-8.4%
Change In Avg. Price Per Bottle	8.6%



Oregon

Between 2013 and 2021, no region tracked in this report saw more explosive growth in DtC shipments than Oregon. In that period, Oregon wineries increased their DtC wine shipments by more than 260%, amounting to more than 336,000 additional cases of wine shipped. The last two years have witnessed something of a correction.

Oregon wineries took a 7.2% increase in price in 2023, resulting in a 9.2% decrease in volume of wine shipped and a 2.6% dip in the value of those shipments. Oregon, however, still maintained its second place position for price per bottle shipped at \$48.91. This comes after a 2022 shipping season when Oregon also underperformed the overall DtC shipping channel.

To understand the situation on the Oregon ground, it's necessary to examine shipments of Pinot Noir, the wine that accounts for 55.3% of the volume of shipments and 65.1% of those shipments' value. In fact, Oregon Pinot Noir shipments slightly outperformed other wines shipped in 2023, with only a 7.9% decline in volume from 2022 and a

2.9% decline in the value of shipments. In a year where inflationary pressures in the general economy helped to depress shipments of lower-priced wines, Oregon Pinot Noir's premium pricing helped its performance as higher-wealth drinkers less impacted by inflation continued to show interest in the state's flagship wine.

Meanwhile, Chardonnay—the state's second most commonly shipped with 11.2% of total volume—performed exceedingly well. Even with a 16.3% increase in average price per bottle shipped, it only saw volume decrease by 0.9% from 2022.

Oregon's Red Blends, Sparkling Wine and Pinot Gris together accounted for 13.1% of the volume of shipments from the state. However, collectively these wines averaged an 18.7% decrease in their volume of shipments. To this decline in demand, we can add, again, Rosé. Oregon Rosé bucked the trend by actually decreasing its average price per bottle shipped by 1.1%. Nonetheless, the wine still saw a steep decrease of 12.9% in bottles shipped along with a 13.9% decline in the value of Rosé shipments.

Total Value	\$271,246,593
Total Volume In Cases	462,124
Avg. Price Per Bottle	\$48.91
Value % Of Total	6.6%
Change In Value	-2.6%
Volume % Of Total	6.5%
Change In Volume	-9.2%
Change In Avg. Price Per Bottle	7.2%



Washington State

Washington State wineries so thoroughly outperformed all other regions tracked in this report it almost appears as though they were living in a different DtC shipping world in 2023. Like other regions tracked for this report, Washington State wineries increased the prices of their wines in the DtC shipping channel to the tune of 5.2% over 2022. However, unlike every other region, Washington State wineries achieved positive volume growth—5.5% over 2022. This led to an 11.0% climb in the value of wine shipments.

The primary driver of Washington State's standout 2023 was the success of Cabernet Sauvignon shipments. Representing 22.1% of shipping volume in 2023, Cabernet Sauvignon increased its shipments by 22.4% over 2022, even after raising the average price per bottle by 9.7%. This in turn resulted in a 34.2% increase in the value of Cabernet Sauvignon shipments. Put another way, the volume gains from Cabernet Sauvignon accounted for 77.2% of the state's additional 20,000 cases shipped in 2023 and 86.7% of the state's additional \$18.6 million in additional DtC shipping value in 2023.

Washington's most commonly shipped wine, Red Blends at 24.9% of the total volume shipped, also had a good year. These wines saw a relatively small increase in average price per bottle shipped of 2.2% but improved their volume of shipments by 6.3%, leading to an 8.7% increase in the value of shipments. Between Red Blend shipments and Cabernet Sauvignon shipments, the entirety of Washington State's growth in shipping value is accounted for.

Rounding out Washington State's most commonly shipped wines are Other Reds, Syrah and Merlot. None of these wines came close to matching the success of Cabernet and Red Blends. In fact, Syrah and Merlot both saw unusual declines in average price per bottle shipped, yet this fact could not boost the volume of shipments of these wines over 2022. Both lost ground on volume and value, suggesting weakness in demand for the two wines in this channel.

Total Value	\$186,720,391
Total Volume In Cases	390,010
Avg. Price Per Bottle	\$39.90
Value % Of Total	4.5%
Change In Value	11.0%
Volume % Of Total	5.5%
Change In Volume	5.5%
Change In Avg. Price Per Bottle	5.2%



Rest of United States

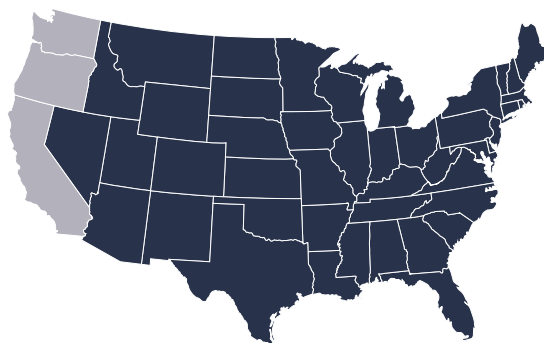
The Rest of United States category of wineries is hugely diverse, spanning the entirety of the country outside the West Coast, from Arizona to Maine. Not only is this category of winery DtC shipments spread out more evenly across a larger number of wines, but these states ship wine with significantly lower average prices. In 2023, this diverse region overperformed, due in large part to taking a relatively small 5.5% increase in average price per bottle shipped. The volume of shipments dropped by a mere 1.7% while the value of this category's shipments climbed by 3.7%.

At 18.5% of all shipments, the Rest of U.S.'s Red Blends represent the most commonly shipped wine from these states. In 2023, Red Blends saw very healthy growth. Taking a 6.6% increase in the average price per bottle shipped, they saw their volume increase by

7.1% and a significant increase in the value of shipments at 14.2%. Other Reds, the second most commonly shipped wine and representing primarily hybrid grapes, did not fare as well. At 9.2% of all shipments from the states, volume dropped 7.0% on a 12.6% increase in average price per bottle, leading to a 4.8% increase in the value of Other Red shipments.

As a whole, the Rest of United States category of wineries has lost most of the gains in volume it saw with the 2020 pandemic splurge—a 34.7% increase in the volume of shipments in 2020 alone, and reaching just over 1 million cases shipped that year. However, through 2023 it has lost nearly the entirety of that gain. In 2023, these wineries shipped a total of 788,000 cases.

Total Value	\$226,649,326
Total Volume In Cases	788,145
Avg. Price Per Bottle	\$23.96
Value % Of Total	5.5%
Change In Value	3.7%
Volume % Of Total	11.0%
Change In Volume	-1.7%
Change In Avg. Price Per Bottle	5.5%





Analysis by Winery Size

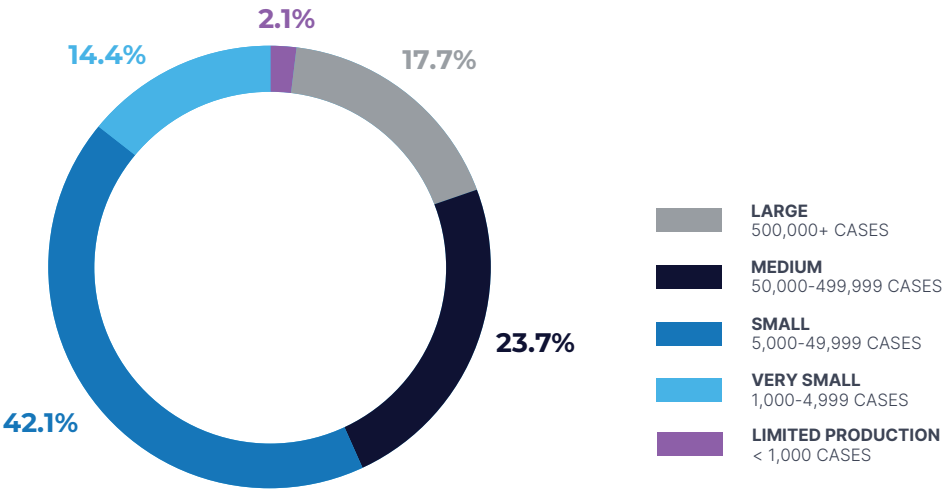
The amount of wine produced by a U.S. winery will largely determine the extent to which it engages in the DtC shipping channel. The larger the winery, the less likely it will move significant percentages of its production through DtC channels, focusing instead on three-tier distribution. The inverse is also true. The smaller the annual production of a winery, the higher the percentage that is likely to be sold directly to the consumer, and the more likely it will use shipping channels to put the product in consumers' hands.

The larger the annual production of a winery, the lower the average price per bottle shipped directly to consumers. This fact is important in understanding the DtC shipping channel in 2023.

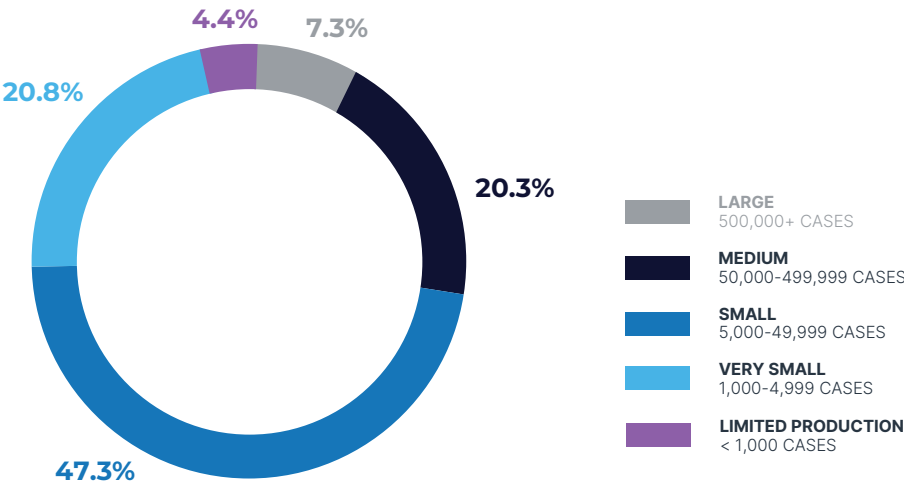
The most salient observation to be made about the 2023 DtC shipping channel based on production size is this: The lower the average price per bottle shipped, the greater the decrease in the volume of wine shipped from 2022. This looks a good deal like consumers who used the DtC shipping channel to obtain lower-priced wines dropping out of the DtC marketplace in the face of inflationary pressure. Also of note is that as prices rise, some consumers move into higher pricing tiers, accentuating the decline in the volume of lower-priced wines.

The other side of the coin also looks true. Those consumers patronizing smaller production wineries with much higher-priced wines remained in the channel despite those higher prices—providing evidence that inflation will not impact higher-income wine buyers in the same way it does more modest-income wine buyers.

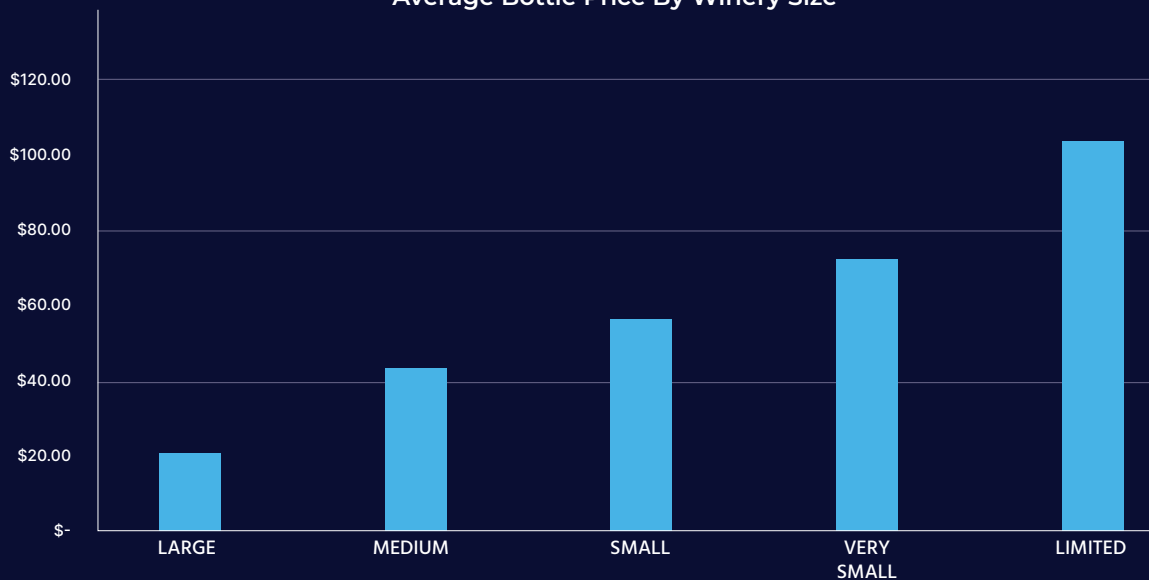
Share of Volume By Winery Size



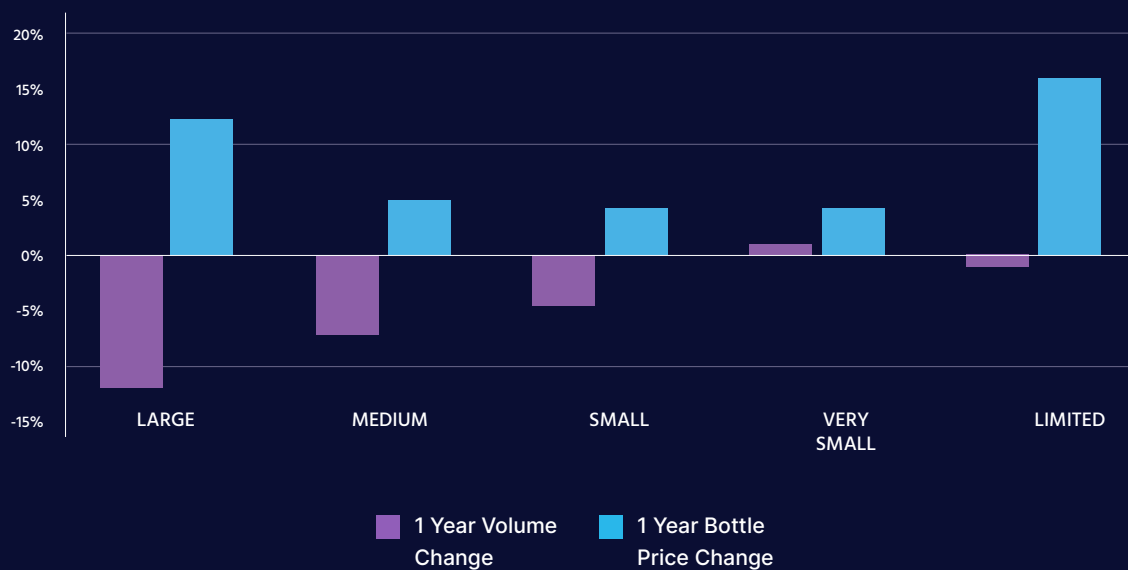
Share of Value By Winery Size



Average Bottle Price By Winery Size



1 Year Volume and Average Bottle Price Changes By Winery Size



Large Winery Size

(500,000 or more cases produced annually)

With their 12.9% increase in average price per bottle shipped to \$19.93, these behemoth-sized wineries finally got their pricing back to 2019 levels. However, the price hikes also resulted in a significant 13.2% reduction in the volume of shipments from 2022, as well as a 1.9% drop in the value of shipments over the previous year. Put another way, it appears that buyers of lower-cost wines pulled back their purchasing in the face of rising prices.

This small collection of giant-sized producers has steadily been gaining a larger and larger share of the DtC shipping channel over the past few years. That trend was reversed in 2023 as the considerable loss of volume of shipments took its share of overall DtC channel volume down to 17.7% from 19.1% in 2022, representing a one-year decrease of shipments of more than 192,000 cases.

Total Value	\$302,348,440	Change In Value	-1.9%
Total Volume In Cases	1,264,191	Volume % Of Total	17.7%
Avg. Price Per Bottle	\$19.93	Change In Volume	-13.2%
Value % Of Total	7.3%	Change In Avg. Price Per Bottle	12.9%

Medium Winery Size

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

Comprising fewer than 300 wineries, this category includes a hugely diverse set of producers. A 400,000-case production winery operates on a significantly different scale than a 55,000-case production winery. However, what's undeniable about the wineries in this category is that few if any of them could operate without engaging with the three-tier system, and the larger the winery, the smaller percentage of their production is sent through the DtC shipping channel.

Although this category of wineries took a more modest than average 4.9% increase in bottle prices in 2023, the volume of shipments decreased by a higher-than-average 7.9% from 2022. This, in turn, led to a 3.4% decrease in the value of shipments from 2022, the largest decrease of any winery category tracked.

Most of the wineries in this category fall on the smaller side of the production spread that defines the medium-sized wineries. This is what accounts for the \$41.52 average price per bottle shipped, a figure much higher than Large Winery size production category. In shipping 23.7% of the total volume of the DtC channel, medium-sized wineries are ranked number two in volume shipped among all production size categories.

Total Value	\$841,358,050	Change In Value	-3.4%
Total Volume In Cases	1,688,657	Volume % Of Total	23.7%
Avg. Price Per Bottle	\$41.52	Change In Volume	-7.9%
Value % Of Total	20.3%	Change In Avg. Price Per Bottle	4.9%

Small Winery Size

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

These are the wineries that drive the DtC shipping channel. Together, in 2023 these smallish wineries accounted for 47.3% and 42.1% of the value and volume of the DtC shipping channel, respectively.

Like every other winery category, these wineries took price increases in 2023 with a 4.2% upward adjustment in their average price per bottle shipped over 2022, landing at \$54.31. This led to a relatively modest decrease in volume of 5.2% and little change in the value of their shipments, which came in at just under \$2 billion.

Total Value	\$1,955,732,790	Change In Value	-1.3%
Total Volume In Cases	3,000,853	Volume % Of Total	42.1%
Avg. Price Per Bottle	\$54.31	Change In Volume	-5.2%
Value % Of Total	47.3%	Change In Avg. Price Per Bottle	4.2%



Very Small Winery Size

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

While some of these more than 3,500 wineries participate to one degree or another in the three-tier distribution system, all of them rely in a significant way on DtC sales and shipping. If the DtC shipping channel were turned off overnight, most of the wineries in this category would either close down immediately or significantly reduce their production, so dependent are they on DtC sales and shipping.

Given the obvious inflationary pressures impacting wineries over the past two years, it seems almost heroic that this category of wineries imposed a mere 4.1% increase in their average price per bottle shipped in 2023 to \$69.55. This comes on the heels of 2022 when these wineries were also the production category with the smallest increase in prices.

All this led to a small but impressive 0.8% increase in the volume of wine shipped in 2023 and a 4.9% increase in the value of shipments. With their much higher-than-average prices, these wineries appear to be largely catering to a clientele more easily able to absorb price increases in a continuing inflationary economy.

Total Value	\$859,435,651	Change In Value	4.9%
Total Volume In Cases	1,029,705	Volume % Of Total	14.4%
Avg. Price Per Bottle	\$69.55	Change In Volume	0.8%
Value % Of Total	20.8%	Change In Avg. Price Per Bottle	4.1%

Limited Production Winery Size

(Up to 999 cases produced annually)

Despite taking a whopping 16.9% increase in their average price per bottle shipped to \$99.92, these wineries' customers appeared not to budge. In fact, they received only 1.5% fewer cases of wine in 2023 and spent 15.2% more on those shipments than in 2022.

These are the smallest of wineries that trade in extraordinarily high-priced wines—highly allocated wines whose scarcity drives pricing—and those prices have been on a steep ascent for several years. Since 2020, the Limited Production size wineries have increased their average price per bottle shipped by more than 69%. That said, despite the elevated pricing, these wineries represent the tiniest part of the DtC shipping channel, with only 2.1% of the volume of wines shipped and 4.4% of the channel's value.

However, like the Very Small production category, these wineries cater to a type of customer who clearly can weather the inflationary market conditions impacting the U.S. economy and the wine industry since early 2021. It's important to note, however, that the size of this customer base is relatively small, making competition fierce among these wineries for top spenders.

Total Value	\$180,086,282	Change In Value	15.2%
Total Volume In Cases	150,197	Volume % Of Total	2.1%
Avg. Price Per Bottle	\$99.92	Change In Volume	-1.5%
Value % Of Total	4.4%	Change In Avg. Price Per Bottle	16.9%



2023

Analysis by Varietal

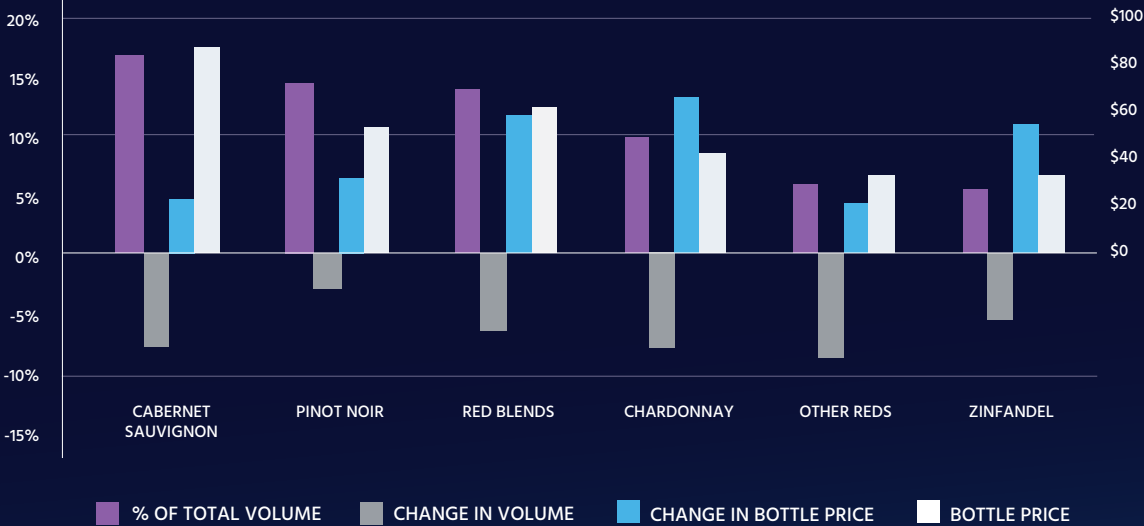
No wine tracked in this report was able to escape a decline in volume of shipments in 2023. However, the difference between the wines' volume drops differed radically. For example, Pinot Gris shipments descended 12.4%, while White Blends saw a mere 2.0% decline from 2022.

Wines priced at the lower end tended to decrease more in volume of wine shipped than those priced at the higher end. The seven wines with the lowest average price per bottle shipped saw an average decline in volume of 10.8% while the seven wines with the highest average price per bottle shipped saw their volume drop by 6.1% from 2022. Again, this looks like more well-heeled consumers maintaining their place in the DtC shipping channel in the face of inflationary pressure, while those consumers of more modest means tended to drop out of the DtC shipping channel at a higher rate.

The five wines with the greatest volume shipped remained the same in 2023 as they were in 2022: Cabernet Sauvignon, Pinot Noir, Red Blends, Chardonnay and Other Reds. The Other Reds group only moved into the top five wines shipped last year when it pushed out Zinfandel, which had been part of the top five wines shipped for over a decade.

In an overall down year for DtC shipments, there are some interesting examples of wines that performed better than most. Other White wines, a catchall category for more obscure vinifera wines and hybrids, saw a hefty 11.1% increase in average price per bottle shipped. However, these wines' volume of shipments declined a mere 2.0%, the lowest percent decrease in volume of all wines tracked, and produced an 8.9% bump in the value of shipments—all suggesting heightened demand. White Blends also saw a relatively modest volume decline of 2.0% despite a 12.5% increase in the average price per bottle shipped. Finally, Pinot Noir shipments only declined 2.6%, far below the overall shipping channel's 6.5% decline in volume, despite a 6.5% jump in average price per bottle shipped.

Top Wine Types Shipped By Volume:
Percent Of Total, Change In Volume, Price And Change In Price





Analysis by Destination of Shipments

The same states that made up the top five destinations for wine shipments in 2022 were the top five in 2023. California, with its large population of people and wineries, remained far ahead of all other states by grabbing 28.2% of all DtC wine shipments. Texas remained the second-ranked state that wine was shipped to in 2023 with 7.1% of the total volume of shipments. Meanwhile, Florida, Washington and New York were in a virtual tie for the third, fourth and fifth spots in the top five. Notably, however, Washington State consumers received far more wine than Florida and New York on a bottles shipped per capita basis.

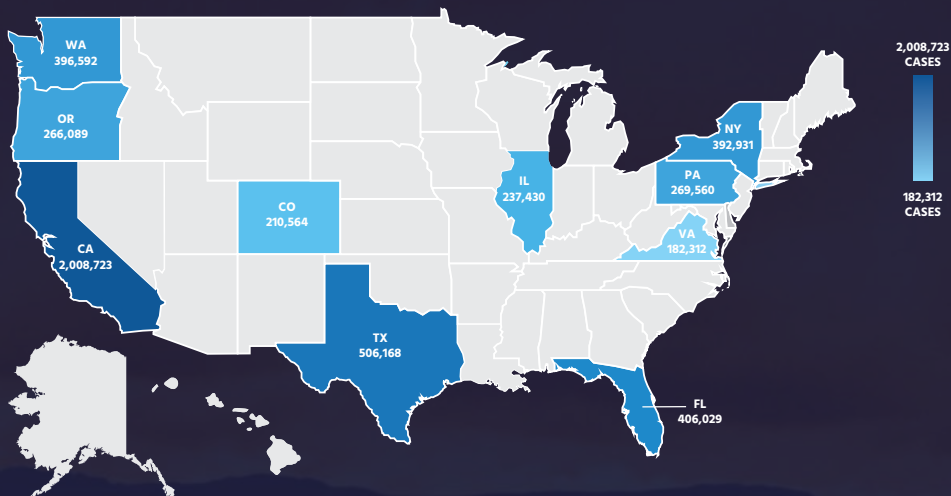
While California remained the top state for destination of DtC shipments, it took an unusually large hit in 2023, to the tune of a 14.4% decline in shipments from 2022. Of the nearly 500,000 fewer cases shipped nationwide in 2023, more than two-thirds of that amount can be attributed to the decline in shipments to Californians. This is only the second year since 2011 that Californians decreased their shipments of wine. In fact, from 2011 to 2022, the average year-over-year change in the amount of shipments to Californians was up 9.2%. It is difficult to identify specific reasons for this large decline in shipments to Californians. It's not extreme price hikes, as the change in average price per bottle shipped to Californians in 2023 was just 5.2%. Our suspicions point toward decreased visitation to California wineries in 2023 as one reason. Still, we will be patient and see what transpires over the next couple of years before declaring a trend.

Analysis by Destination of Shipments (Cont'd)

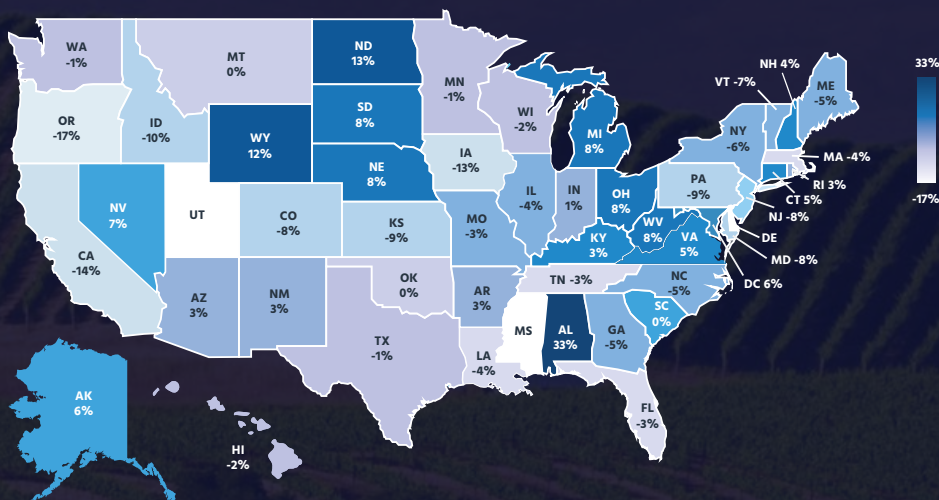
Among the bright spots for more active buyers, look to Alabama and Wyoming. Shipments to Alabama wine lovers increased by 32.9% in 2023. The most likely explanation was the state's adjustment to regulations making it far less onerous for wineries to obtain shipping permits. While starting from a small volume base, Wyoming 2023 shipments increased by 11.7%, likely because the state changed its law allowing individual consumers to receive 12 cases of wine per year, up from the previous limit of four cases.

Finally, we answer the question of which states possess the most enthusiastic consumer participants in the DtC shipping channel by looking at bottles shipped per capita using Census Bureau estimates for the total 2023 state populations. Oregon consumers are very enthusiastic with a nation-leading 0.754 bottles shipped per person. What makes their position at the top so remarkable is that in 2023 there were 56,000 fewer bottles shipped to the state's residents than in 2022. Rounding out the top five states for bottles shipped per capita are, in order, California, Washington State, District of Columbia and Colorado. The least enthusiastic participants with the fewest bottles shipped per capita in 2023 were Arkansas, Rhode Island, Alabama, Kentucky and West Virginia.

Total Volume Of Shipments, Top 10 States



One-Year Volume Change By State





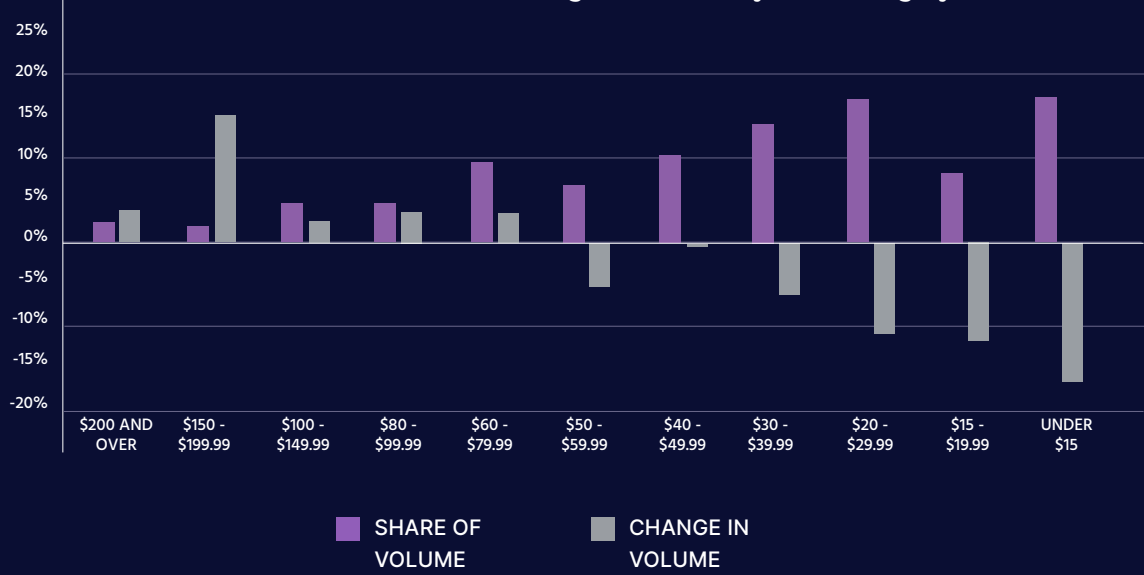
2023

Analysis by Price

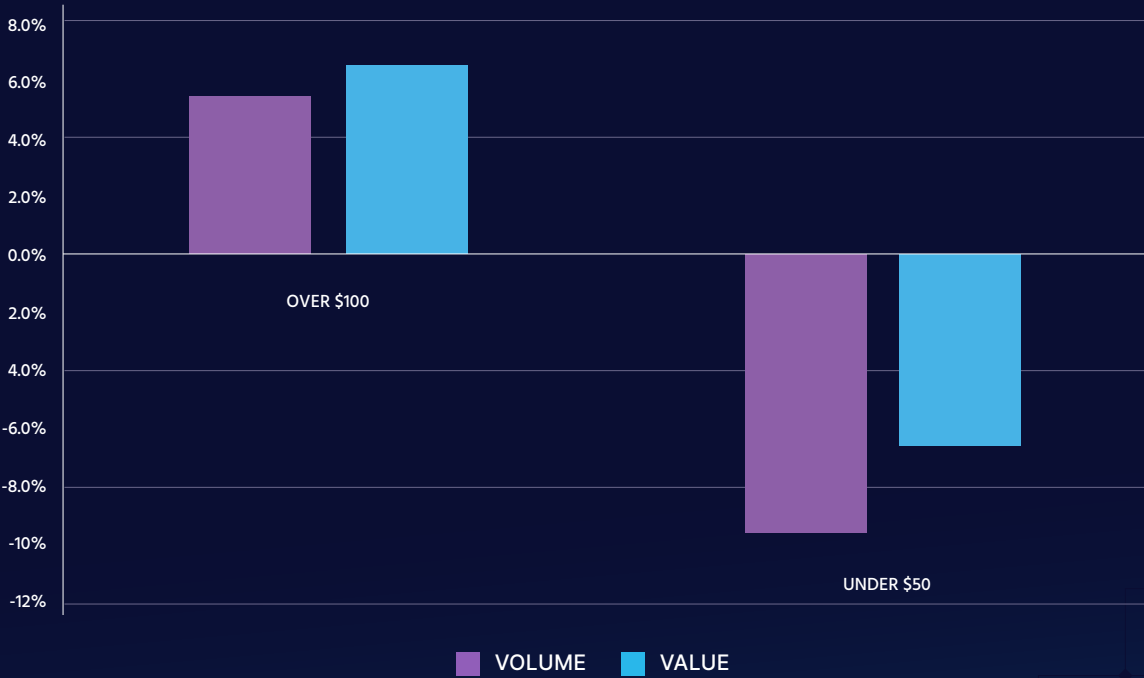
Throughout this report, we have made note of the fact that lower-priced wines took the greatest hit to volumes in 2023 while higher-priced wines tended to have flat or slightly increased shipments. Looking at shipments by price category, we see the starkest example of this trend. In 2023, wines with an average per-bottle price of \$100 or above increased their volume of shipments over 2022 by 5.6%. However, wines shipped with an average price per bottle under \$30 saw a 12.9% decline from 2022. Perhaps equally important is understanding that wines priced under \$30 per bottle represent 43.2% of the total DtC shipping channel. Wines priced at \$100 or above represent a mere 9.1% of the channel.

This phenomenon of higher-priced wines holding their own in the DtC shipping channel and lower-priced wines seeing large declines is a continuation of a trend we began to see play out in mid-2021 and gain considerable velocity in 2022. Since 2020, the volume of wines priced less than \$30 per bottle has seen a 34.8% decline in DtC shipments. This is largely a result of two factors: 1) inflationary pressures over the past three years pushing buyers of lower-priced wines out of the DtC shipping channel, and 2) a return to brick-and-mortar purchasing by pandemic buyers who came into the DtC marketplace in 2020.

Share Of Volume And Change In Volume By Price Category



Change In Volume And Value, >\$100 And <\$50





Conclusions and Forecasts

The overall decline of DtC wine shipments in 2023 is a reflection of the more general slowdown of wine sales witnessed in other sales channels in 2023. Inflationary headwinds began impacting consumer spending in mid-2021, peaked at historic levels in 2022 and continued through 2023 although at lower and declining rates.

DtC shipments are a reflection of winery DtC sales. Lower but still persistent inflation in 2023 impacted winery DtC sales, most notably at the lower price points where consumers have dropped out of the DtC channel in response to price increases and cost of living concerns. The same phenomenon has been seen in the wider off-premise channel.

While we observe inflation having a significant impact on DtC shipments, we also want to take note of the impact rising prices have on the data. As prices increase, many wines move out of the lower price categories tracked and into higher price bands, which helps reveal a picture of lower volumes and values of modestly priced wines.

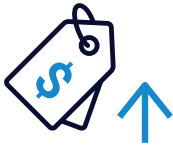
Finally, we draw the reader's attention once more to the fundamental reality that much of the success of the DtC shipping channel is a reflection of winery visitation, which tends to drive club membership sign-ups for DtC shipping. It declined in 2023 in nearly every region, according to widespread reporting. This leads us to point out that the regions that will see more success in the DtC shipping channel are those that most aggressively and most creatively work to attract visitors to their wineries. This task falls not only to individual wineries but also to the regional trade and visitation associations that too often are underfunded.

With all this in mind, we offer the following forecast for the 2024 DtC wine shipping channel.



1 / Better Economic Conditions Will Improve DtC Volumes and Values

With forecasts for inflation to continue its decline, an anticipated lowering of interest rates and a stable job market, we expect consumer sentiment to improve and with it, the DtC wine shipping channel. We see shipping volumes remaining flat in 2024 (which would represent an improvement) with the chance of a return to positive growth.



2 / Super- and Ultra-Premium Priced Wines to Perform Best

We expect to see super- and ultra-premium priced wines (\$50 per bottle and above) outperform the overall DtC shipping channel in 2024. These wines should see positive volume and value growth rates, likely exceeding their performance in 2023.



3 / Beware of Continuing Cultural Headwinds

We view with concern for the DtC shipping channel several headwinds that could diminish wine consumption overall and with it DtC shipments in 2024. They include continued reduction of alcohol consumption, particularly among younger adults, the rise of alternative alcoholic beverages, anti-alcohol campaigns coordinated by powerful international bodies, and increased competition from cannabis as more states legalize recreational sales.



4 / More Pressure on the DtC Channel to Perform for Small- and Medium-Sized Wineries

As the distributor tier continues to consolidate, it is focusing more and more of its attention on a smaller number of large brands, slowly pushing out lower-volume wines from small- and medium-sized wineries. This will create additional pressure on wineries to make more efficient use of the DtC shipping channel.

Methodology

This report is an annual collaboration between Sovos ShipCompliant and WineBusiness Analytics. It analyzes anonymized, detailed shipment data from more than 1,250 U.S. wineries' monthly shipments to consumers each month. Each shipment is edited for submission for governmental tax and reporting requirements. Additionally, elements such as varietal are validated by standardized tables. The data is submitted to a proprietary model that applies weighting to ensure that aggregated transactions evenly reflect winery size, location and average bottle price. The model is built on a database of more than 11,500+ wineries updated monthly by WineBusiness Analytics. This database is a near census of U.S. wineries (>99%). The model incorporates recognized statistical techniques to identify outliers and data anomalies.

Data Specifications

Number of shipments annually	37 million+
Wineries reporting	1,250+
Winery database	11,500+

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

Definitions

A Bonded winery is licensed by the Alcohol and Tobacco Tax and Trade Bureau (TTB); additional bonded locations of a winery, such as storage facilities under the same management, are not counted. Virtual wineries have a unique physical location (which may be another entity's winery), produce one or more brands, and have their own winemaker and management (these may be shared with other entities). A shipment is defined as a specific wine shipped to a specific consumer. Multiple products to the same location are counted as multiple shipments.

Projection Model

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

Acknowledgments

The 2024 Direct-to-Consumer Wine Shipping Report is a collaboration between Sovos ShipCompliant and WineBusiness Analytics.

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