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The premiumization of the Direct-to-Consumer wine channel

Insights from the 2023 Direct-to-Consumer wine shipping report

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The landscape of the U.S. direct-to-consumer (DtC) wine shipping market experienced a notable shift in 2023, as outlined in the latest Direct-to-Consumer Wine Shipping Report by Sovos ShipCompliant and WineBusiness Analytics. This shift is characterized by a decrease in shipment volumes amidst rising costs, marking a continuation of a trend rather than an anomaly. The decline in volume, quantified at a 6.5% drop or a reduction of approximately 500,000 cases from the previous year, is juxtaposed against a

relatively stable value of $4.1 billion, underpinned by a marginal growth rate of 0.1%. This scenario underscores a nuanced consumer shift towards higher-priced wines, reflecting broader economic pressures and evolving market dynamics.

The report provides a detailed analysis, revealing that wines priced below $30 per bottle, which constitute nearly half of the DtC market, suffered a significant 12.9% fall in volume. Conversely, the luxury segment of the market, wines priced at $100 or above, experienced a 5.6% increase in shipments. This dichotomy underscores a broader economic principle where inflation disproportionately affects consumers of more modest means, while those with higher disposable incomes remain relatively insulated from such financial pressures.

A significant factor in the market's dynamics is the average price per bottle, which has risen for the third consecutive year by 7.1%, reaching $48.35. This increase, although at a slower pace compared to the previous two years, reflects an ongoing trend of premiumization within the DtC wine market. The report highlights a marked increase in prices during the autumn months, with October and November witnessing an 11.9% and 11.4% rise in the average price per bottle shipped, respectively.

The impact of these shifts has been particularly pronounced among the largest wineries, which have seen a 13.2% decrease in volume alongside a 12.9% increase in the average price per bottle shipped. This trend underscores the challenges faced by larger producers in navigating a market increasingly skewed towards higher-priced offerings.

Regionally, the report identifies significant variances, with Washington State emerging as an outlier. Unlike other states, Washington experienced a growth in both volume and value of shipments, driven in part by a modest 5.2% increase in the average price per bottle to $39.90. This growth was further buoyed by substantial increases in shipments of Cabernet Sauvignon, highlighting the state's resilience and adaptability in a challenging market environment.

Conversely, California, the heartland of the U.S. wine industry, recorded a 14.4% drop in volume shipments, the most significant decline since 2010. This downturn was felt across various regions within the state, with Napa Valley wineries continuing to

dominate in value terms despite the overall volume decrease. This is attributed to the region's high average price per bottle shipped, which reached a record $86.43 in 2023.

The report also sheds light on broader market forces, including the impact of inflation, rising interest rates, and the changing consumption patterns among younger consumers. Additionally, it notes the increasing competition from other beverages and the legalization of cannabis in several states as factors contributing to the overall decline in alcohol consumption, including wine.

In summary, the 2023 Direct-to-Consumer Wine Shipping Report elucidates the complexities of the U.S. DtC wine market, marked by a shift towards higher-priced wines amidst declining volumes. This trend reflects broader economic conditions and changing consumer preferences, posing both challenges and opportunities for wineries across the United States.