Q3 2022 Report

With Key Takeaways for Wine DTC

WINEDIRECT x ENOLYTICS

Setting the Stage

Let's start with the elephant in the room. The economy, that is. Fresh economic data points to a slowdown, both in the US and globally. Europe is bearing down on a critical phase of its economic conflict with Russia. And higher prices and interest rates dampen consumer demand. What does this mean for the wine industry, and specifically DTC business during Q3 2022?

This quarter specifically, we see that Tasting Room numbers (both Net Sales and Cases Sold) have dropped compared to Q3 last year. The drop is big enough to raise some concern, and we wanted to bring it to your attention in this report. In addition, Wine Club is the only channel that grew in Q3 compared to the same quarter last year.

As we've said before, Tasting Room is the logical and ideal channel for gathering customer data, particularly for first-time visitors who enter into the sales funnel for present and future revenue. With fewer customers passing through Tasting Rooms, that's obviously fewer opportunities to gather customer data and nurture the relationship.

Interestingly, we can discern differences of growth within the geography of Tasting Rooms. In Q3, Tasting Room Net Sales in Washington, Oregon and the North Coast of California are down less than the rest of the country. Central Coast, the Rest of CA and East Coast Tasting Rooms are taking the biggest hits.

Wine Club and Website are two other major channels we continually monitor and, along with Tasting Room, form the tripod of focus of this report. Wine Club and Tasting Room sales are by far the biggest contributors of overall revenue, while Website keeps declining from its peak in 2020 to 9% of overall revenue.

By the time this Q3 2022 report reaches your hands, we'll be well into the busy October-November-December season. We hope very much that, armed and prepared with consistent reports from WineDirect x Enolytics, you leverage both the data and the What-To-Do-Today suggestions to finish the year strong. We are here to help, and we're cheering for you along the way!

PS. You'll notice that this Q3 2022 report is significantly shorter and more focused than our reports from earlier this year. We're gearing up for a very in-depth analysis of the full year of 2022, to be released in January 2023.

Thank you!
The Teams at WineDirect and Enolytics

Key Takeaway

Q3 Indicators

Main Indicators (Q3) - US

Main Indicators	2022 vs 2021
Net Sales Growth	-5.3% ↓
Net Sales Wine Growth	-6.2% ↓
Net Sales Non-Wine Growth	-0.1% ↓
Cases Sold Growth	-9.8% ↓
Wine Club Growth Oct-21 - Sep-22	5.6% ↑
Unique Customers	-8.8% ↓

Secondary Indicators (Q3) - US

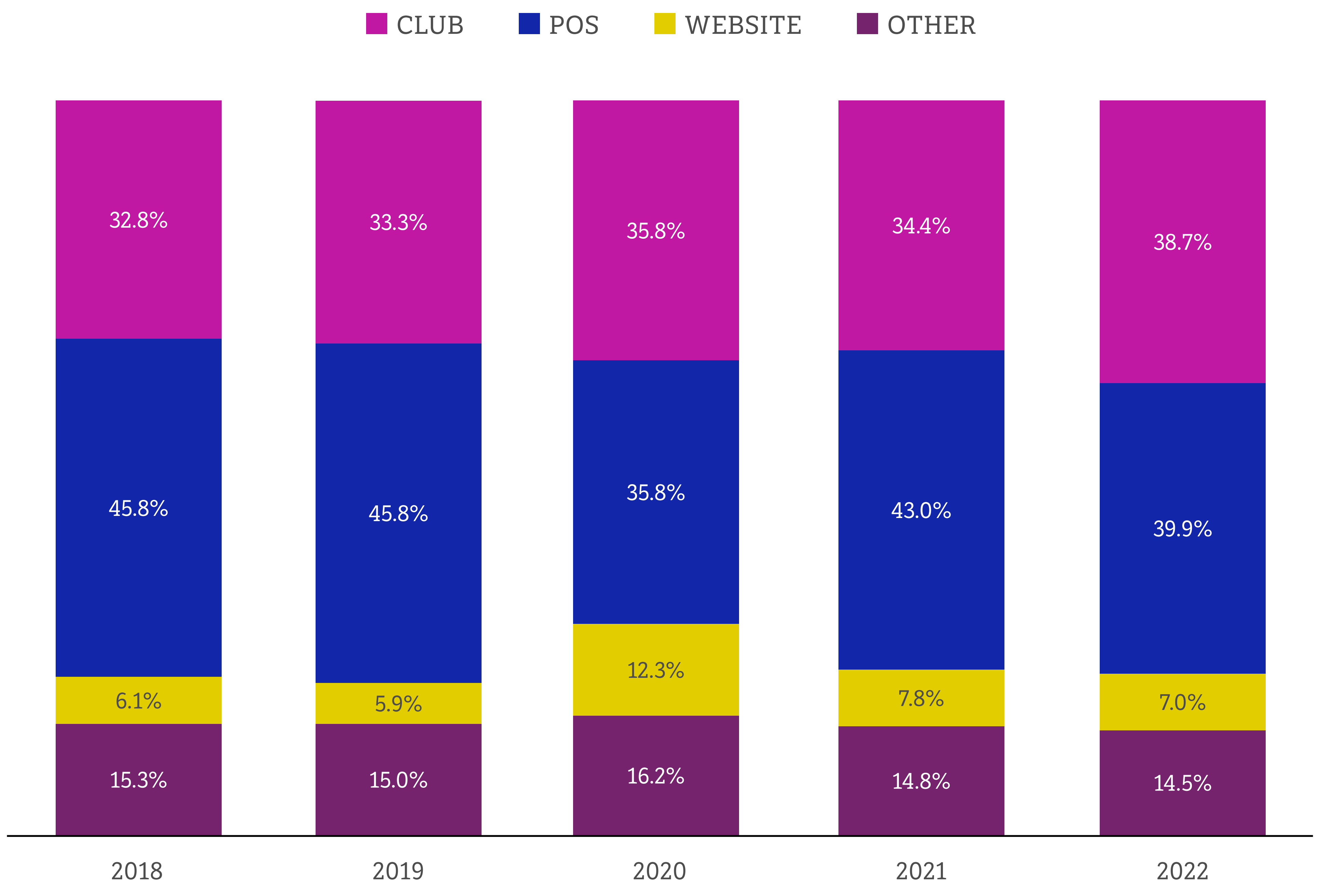
Secondary Indicators	2021	2022	2022 vs 2021
Discounts in %	14.0%	14.8%	5.7% ↑
AOV	$ 136.56	$ 144.53	5.8% ↑
Wine AOV	$ 153.70	$ 162.04	5.4% ↑
Avg Bottles Per Order	3.7	3.7	0.7% ↑
Avg List Price Per Bottle	$ 49.43	$ 52.23	5.7% ↑
Orders/Customer	1.6	1.6	-2.5% ↓
Net Sales/Customer	$ 302.61	$ 314.23	3.8% ↑

Key Takeaway

Club Sales vs Website Sales

Club sales remained strong while website sales continue to decline.

DTC Sales by Major Channel Last 5 years (Q3) - US



Key Takeaway

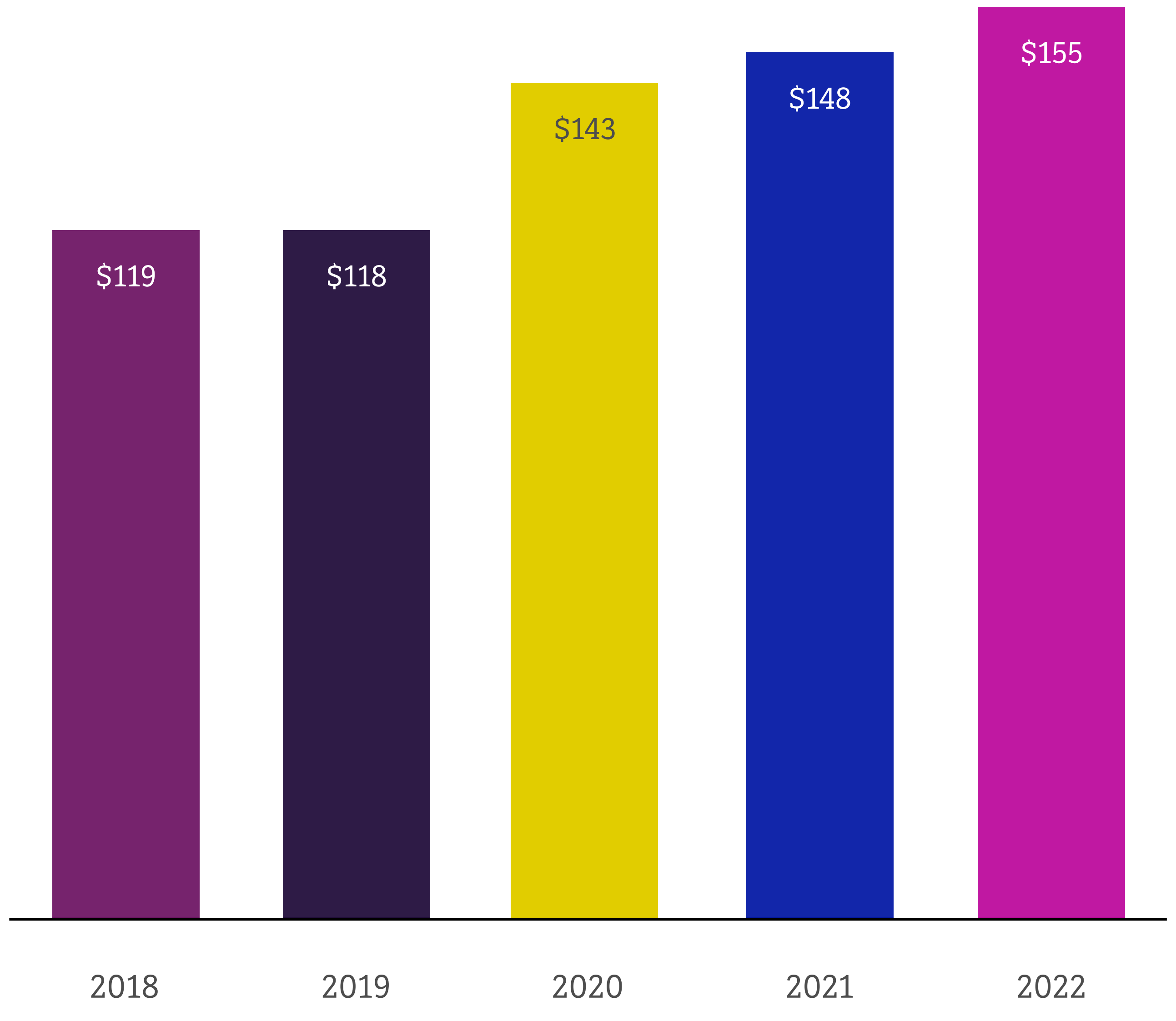
Average Order Value

Average Order Value continued to increase, driven mainly by Clubs.

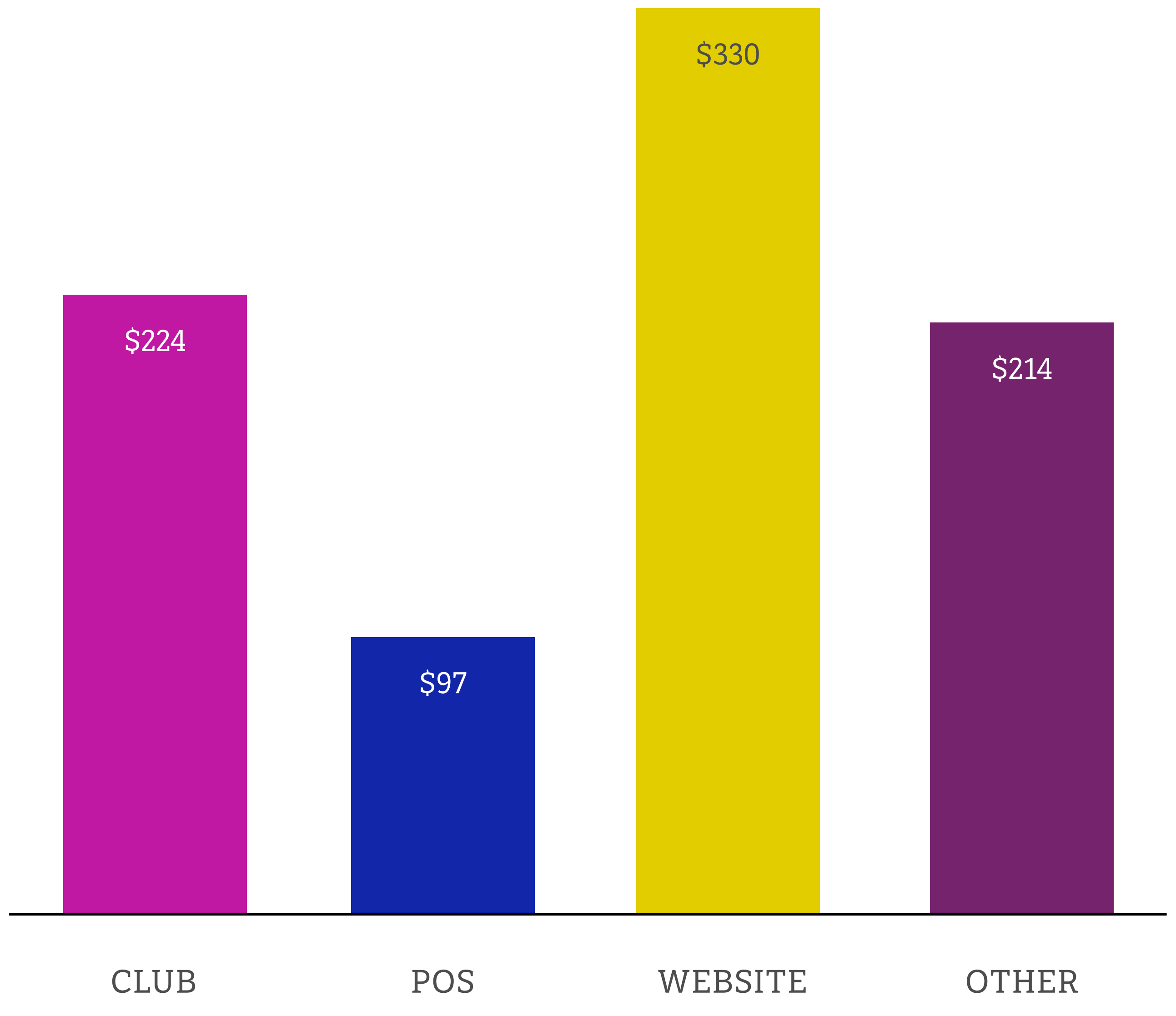
AOV Annual Growth by Channel (Q3) - US

	2019	2020	2021	2022
ALL	0%	21%	3%	5%
CLUB	3%	6%	8%	5%
POS	-1%	10%	15%	2%
WEBSITE	-3%	10%	12%	3%
OTHER	-4%	21%	-6%	-5%

AOV by Year (Q3) - US



AOV by Channel (Q3) - US



Key Takeaway

Year over Year Net Sales Growth

Most key channels showed declines in both net sales and cases sold against a very strong Q3 driven by on-site sales (POS) last year.

YoY Net Sales Growth by Channel (Q3)

	2019	2020	2021	2022
ALL	5%	2%	25%	-4%
CLUB	7%	10%	20%	8%
POS	5%	-20%	50%	-11%
WEBSITE	2%	113%	-21%	-14%
OTHER	4%	10%	15%	-6%

YoY Cases Sold Growth by Channel (Q3)

	2019	2020	2021	2022
ALL	11%	19%	7%	-9%
CLUB	9%	18%	12%	1%
POS	10%	-5%	22%	-16%
WEBSITE	18%	206%	-31%	-15%
OTHER	15%	28%	-4%	-9%

All price points showed declines in cases sold, however net sales for the $50 - $70 range held up behind price increases/reduced discounts.

YoY Net Sales Growth by Price Range (Q3)

	2019	2020	2021	2022
ALL	5%	2%	25%	-4%
< $20	10%	12%	13%	-8%
$20–$29	7%	5%	19%	-4%
$30–$39	0%	9%	19%	-7%
$40–$49	9%	11%	21%	-3%
$50–$59	7%	-20%	39%	7%
$60–$69	11%	-7%	30%	1%
$70–$89	-2%	0%	43%	-6%
> $90	1%	0%	29%	-11%

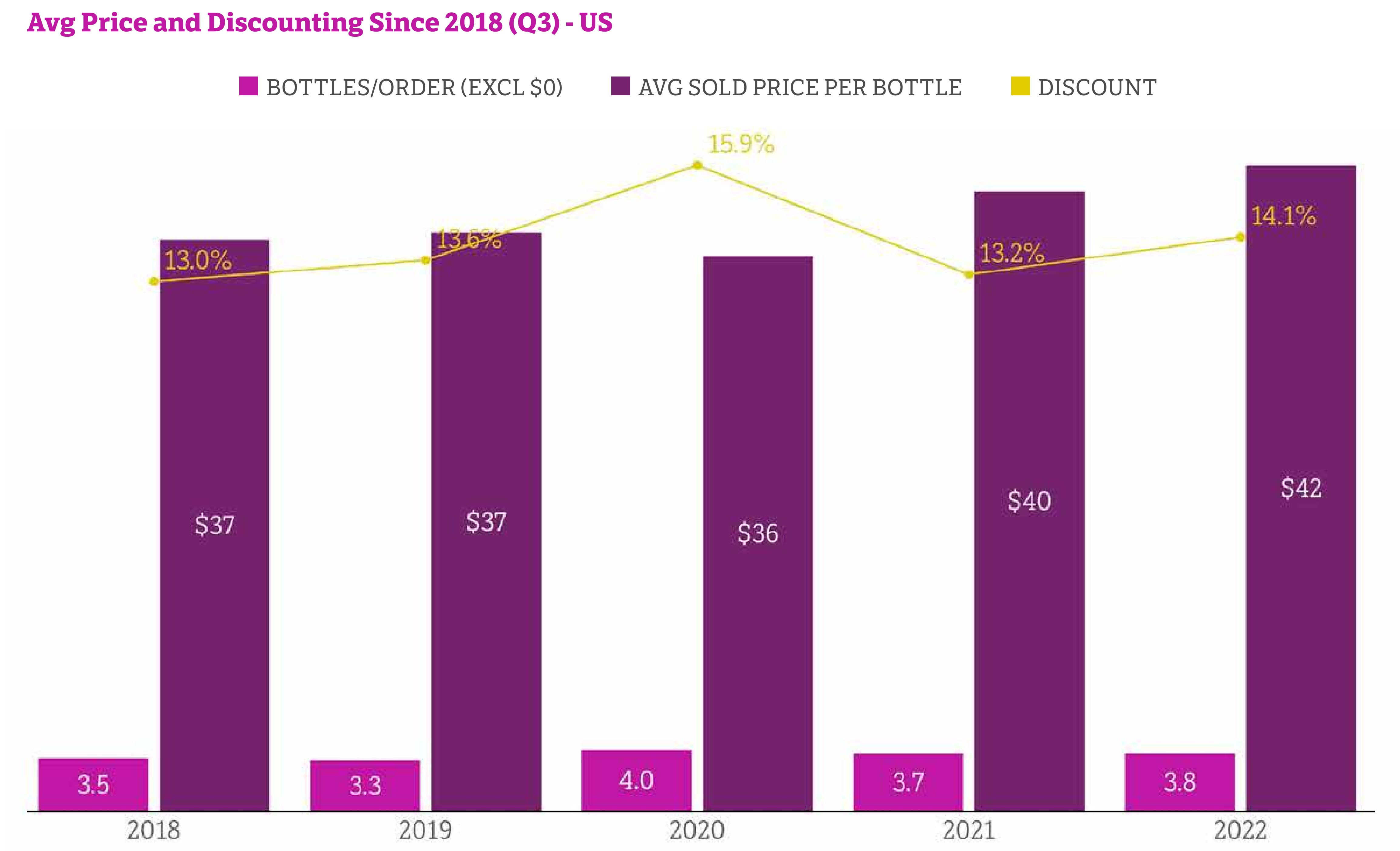
YoY Cases Sold Growth by Price Range (Q3)

	2019	2020	2021	2022
ALL	11%	20%	7%	-9%
< $20	10%	23%	2%	-7%
$20–$29	17%	18%	6%	-12%
$30–$39	10%	26%	2%	-11%
$40–$49	10%	48%	5%	-7%
$50–$59	12%	-2%	14%	-2%
$60–$69	9%	0%	14%	-2%
$70–$89	4%	6%	29%	-12%
> $90	-4%	10%	8%	-7%

Key Takeaway

Bottles per Order vs Average Price

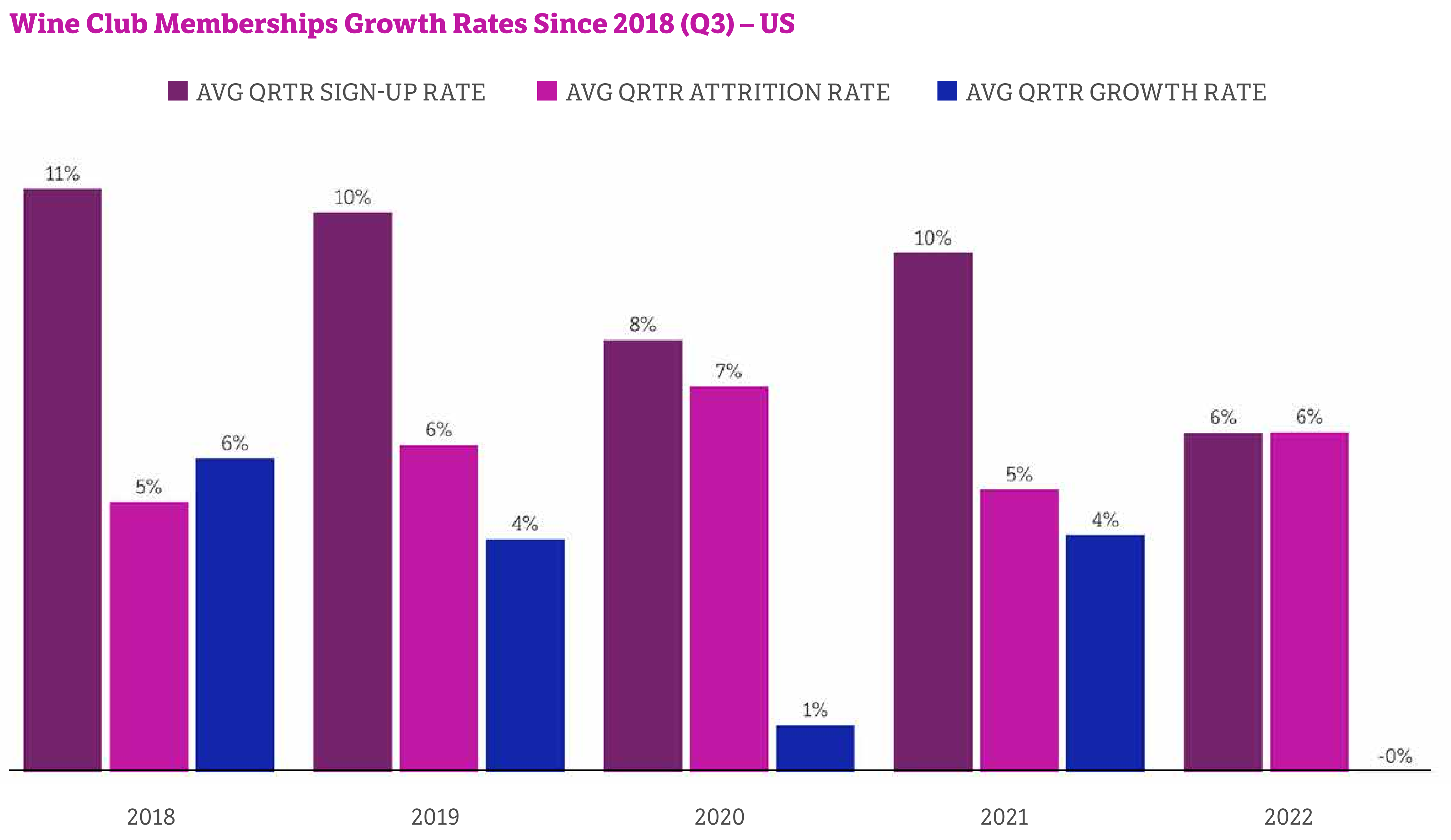
Bottles per Order remained steady as average price continued to rise.



Key Takeaway

Wine Club Growth

Net Growth in Wine Clubs was flat, as sign ups were the lowest we've seen in 5 years.



The one thing you can do right now is…

Nurture your Wine Club Members. We've been saying this all year, but it's now become even more important. Club is the only DTC channel that has continued to show strength in both net sales and cases sold. Concerning trends are beginning to emerge however, as club sign ups equaled attrition in Q3, resulting in zero growth in net membership. While attrition was in line with past years, sign ups lagged, perhaps as a result of lower winery visitation through the summer compared with a year ago. While sign ups are important, and wineries will need to get creative as we head into the winter months where visitation is lowest, retention is the most urgent need. Post-fall shipments, attrition can be at its highest, and with current economic uncertainty, it is important to ensure that your members don't cancel as they review their overall spending. Some ideas:

- Don't be afraid to allocate budget towards *member retention*. The lifetime value of a club member is generally high enough to warrant it. Capturing new members can cost a lot more.
- Review your membership benefits to ensure they are motivating and provide value to your target audience. What can you do right now to engage? Can you send members a special offer on a library wine? Add a gift card that they can share with friends to their online purchase?
- Use your data to analyze your current membership. Enolytics offers industry-leading tools for this. Identify those members who are in jeopardy of leaving your club and reach out proactively to keep them engaged. Work with your most engaged members to amplify their voices. They are clear fans of your wines and can be the most effective ambassadors.
- Read more about *four ways to nurture your wine club*.

Appendix

ABOUT WINEDIRECT

WineDirect provides everything your winery needs to start, manage, and grow your direct-to-consumer (DTC) business from wine club, ecommerce and point of sale software to fulfillment and marketplace distribution. With expertise in all areas of ecommerce and fulfillment and a longstanding commitment to wineries' growth, we can help you at every stage in your development. Serving wineries worldwide, WineDirect is headquartered in Napa Valley with offices in Paso Robles, CA; Santa Maria, CA; Sherwood, OR; Glenwillow, OH; Vancouver, BC; and McLaren Vales, Australia. Learn more about how we are helping wineries succeed with DTC by visiting *www.winedirect.com*.

ABOUT ENOLYTICS LLC

Enolytics is changing the way wine and spirits companies grow through the power of data. Their SaaS-based solutions provide data-driven business intelligence and advanced analytics to beverage alcohol companies around the world through their user-friendly platforms. A woman-owned business, Enolytics balances the warmth of wine and food world relationships with level-headed pragmatism and real-world financial savvy to deliver innovative and disruptive technological solutions to the industry. Learn more at *www.enolytics.com*.

Q3 2022 Growth Compared to Q3 by Major Channel (2021)

Major Channel	Net Sales	Wine Share	Non-Wine Share	Net Sales Wine	Net Sales Non-Wine	Cases Sold	Unique Customers	AOV	Discount %	Avg Bottle Sold Price	Avg Bottles/Order	Avg Orders/Customer
Totals	**-5.3%**	**82.6%**	**17.4%**	**-6.2%**	**-0.1%**	**-9.8%**	**-8.8%**	**5.8%**	**5.7%**	**5.1%**	**0.7%**	**-2.5%**
Club	7.6% ↑	96.1%	3.9%	7.3% ↑	-18.8% ↓	0.7% ↑	2.4% ↑	6.6% ↑	-3.5% ↓	7.3% ↑	0.1% ↑	-2.0% ↓
POS	-12.4% ↓	72.7%	27.3%	-15.5% ↓	-2.4% ↓	-17.6% ↓	-15.6% ↓	2.2% ↑	9.0% ↑	2.0% ↑	-1.6% ↓	-1.0% ↓
Website	-16.3% ↓	92.1%	7.9%	-17.2% ↓	12.0% ↑	-18.7% ↓	-18.2% ↓	3.9% ↑	1.8% ↑	2.5% ↑	5.0% ↑	-4.5% ↓
Other	-7.7% ↓	71.3%	28.7%	-10.5% ↓	7.0% ↑	-6.0% ↓	-10.6% ↓	-2.1% ↓	16.1% ↑	-1.2% ↓	-1.1% ↓	0.2% ↑

Q3 2022 Growth Compared to Q3 by Wine Region (2021)

Wine Region	Net Sales	Net Sales Wine	Net Sales Non-Wine	Cases Sold	Unique Customers	AOV	Discount %	Avg Bottle Sold Price	Avg Bottles/Order	Avg Orders/Customer
Totals	**-5.3%**	**-6.2%**	**-0.1%**	**-9.8%**	**-8.8%**	**5.8%**	**5.7%**	**5.1%**	**0.7%**	**-2.5%**
North Coast	-5.3% ↓	-7.4% ↓	10.6% ↑	-10.4% ↓	-8.9% ↓	2.3% ↑	-0.3% ↓	4.5% ↑	-1.0% ↓	-0.9% ↓
Central Coast	-8.7% ↓	-8.0% ↓	-14.3% ↓	-16.1% ↓	-16.7% ↓	11.2% ↑	4.0% ↑	9.0% ↑	1.6% ↑	-0.9% ↓
Rest of California	0.9% ↑	1.9% ↑	2.0% ↑	-8.0% ↓	-1.5% ↓	4.6% ↑	-1.9% ↓	6.9% ↑	-1.2% ↓	-3.1% ↓
OR	-4.1% ↓	-6.1% ↓	9.8% ↑	-12.0% ↓	-9.0% ↓	8.2% ↑	-6.4% ↓	9.8% ↑	1.4% ↑	-6.0% ↓
WA	-1.3% ↓	-1.6% ↓	0.9% ↑	6.8% ↑	-2.5% ↓	7.3% ↑	5.2% ↑	5.3% ↑	-2.3% ↓	-1.8% ↓
East Coast	-10.9% ↓	-9.9% ↓	-13.6% ↓	-13.8% ↓	-10.5% ↓	7.5% ↑	98.4% ↑	3.4% ↑	5.1% ↑	-8.0% ↓
Non-Coastal	-7.0% ↓	-7.1% ↓	-6.4% ↓	-6.1% ↓	-8.1% ↓	1.6% ↑	4.6% ↑	-1.2% ↓	2.3% ↑	0.1% ↑

Q3 2022 Growth Compared to Q3 by Winery Price Point 2021

Winery Avg Bottle Price	Net Sales	Net Sales Wine	Net Sales Non-Wine	Cases Sold	Unique Customers	AOV	Discount %	Avg Bottle Sold Price	Avg Bottles/Order	Avg Orders/Customer
Totals	**-5.3%**	**-6.2%**	**-0.1%**	**-9.8%**	**-8.8%**	**5.8%**	**5.7%**	**5.1%**	**0.7%**	**-2.5%**
<$20	-7.7% ↓	-7.5% ↓	-8.7% ↓	-2.4% ↓	-5.1% ↓	0.6% ↑	54.5% ↑	0.2% ↑	0.1% ↑	-1.8% ↓
$20-$29	-6.4% ↓	-6.5% ↓	-6.1% ↓	-13.8% ↓	-10.8% ↓	4.5% ↑	-1.2% ↓	7.1% ↑	-2.1% ↓	-0.4% ↓
$30-$39	-8.0% ↓	-8.7% ↓	-4.1% ↓	-13.8% ↓	-10.1% ↓	9.2% ↑	1.9% ↑	6.3% ↑	2.1% ↑	-6.8% ↓
$40-$49	-2.5% ↓	-2.2% ↓	-6.3% ↓	-4.9% ↓	-7.9% ↓	9.6% ↑	13.6% ↑	3.5% ↑	6.6% ↑	-3.1% ↓
$50-$59	3.5% ↑	-5.1% ↓	39.6% ↑	-6.2% ↓	-0.5% ↓	-0.0% ↓	-6.6% ↓	0.3% ↑	-2.1% ↓	-3.7% ↓
$60-$69	-0.4% ↓	-1.0% ↓	13.3% ↑	-5.0% ↓	-0.2% ↓	3.5% ↑	-6.2% ↓	3.8% ↑	-1.4% ↓	-3.0% ↓
$70-$89	-3.2% ↓	-4.1% ↓	6.5% ↑	-12.0% ↓	-14.6% ↓	12.7% ↑	3.0% ↑	8.5% ↑	5.2% ↑	-2.0% ↓
>$90	-12.1% ↓	-12.3% ↓	-38.9% ↓	-10.4% ↓	-20.7% ↓	7.2% ↑	-2.5% ↓	5.0% ↑	3.0% ↑	6.0% ↑

Q3 2022 Growth Compared to Q3 by Winery DTC Size 2021

Winery DTC Size	Net Sales	Net Sales Wine	Net Sales Non-Wine	Cases Sold	Unique Customers	AOV	Discount %	Avg Bottle Sold Price	Avg Bottles/Order	Avg Orders/Customer
Totals	**-5.3%**	**-6.2%**	**-0.3%**	**-9.8%**	**-8.8%**	**5.8%**	**5.6%**	**5.1%**	**0.7%**	**-2.5%**
1-2,500	-3.8% ↓	-3.6% ↓	-5.2% ↓	-1.5% ↓	-6.0% ↓	3.8% ↑	7.7% ↑	5.2% ↑	0.3% ↑	-0.7% ↓
2,500-5,000	-9.9% ↓	-10.8% ↓	-6.3% ↓	-16.0% ↓	-14.2% ↓	3.7% ↑	4.8% ↑	5.3% ↑	-0.1% ↓	-1.0% ↓
5,000-10,000	-7.2% ↓	-6.2% ↓	-11.3% ↓	-14.4% ↓	-12.2% ↓	6.9% ↑	19.0% ↑	7.6% ↑	0.7% ↑	-3.1% ↓
10,000+	-1.8% ↓	-4.7% ↓	13.5% ↑	-6.0% ↓	-4.0% ↓	7.2% ↑	-5.2% ↓	2.8% ↑	1.5% ↑	-3.7% ↓

Comparison Reports

Curious how your winery stacks up to others in your cohort? Comparison Reports provide visibility of your DTC performance through apples-to-apples comparisons on a wide range of indicators.

Comparison Reports are available because of the relationship between WineDirect and Enolytics, and our analysis of DTC data records dating back to 2017. The DTC Impact Report establishes the baseline. Now we'd like to show each winery their "slice" of that massive report, updated with numbers from the year so far.

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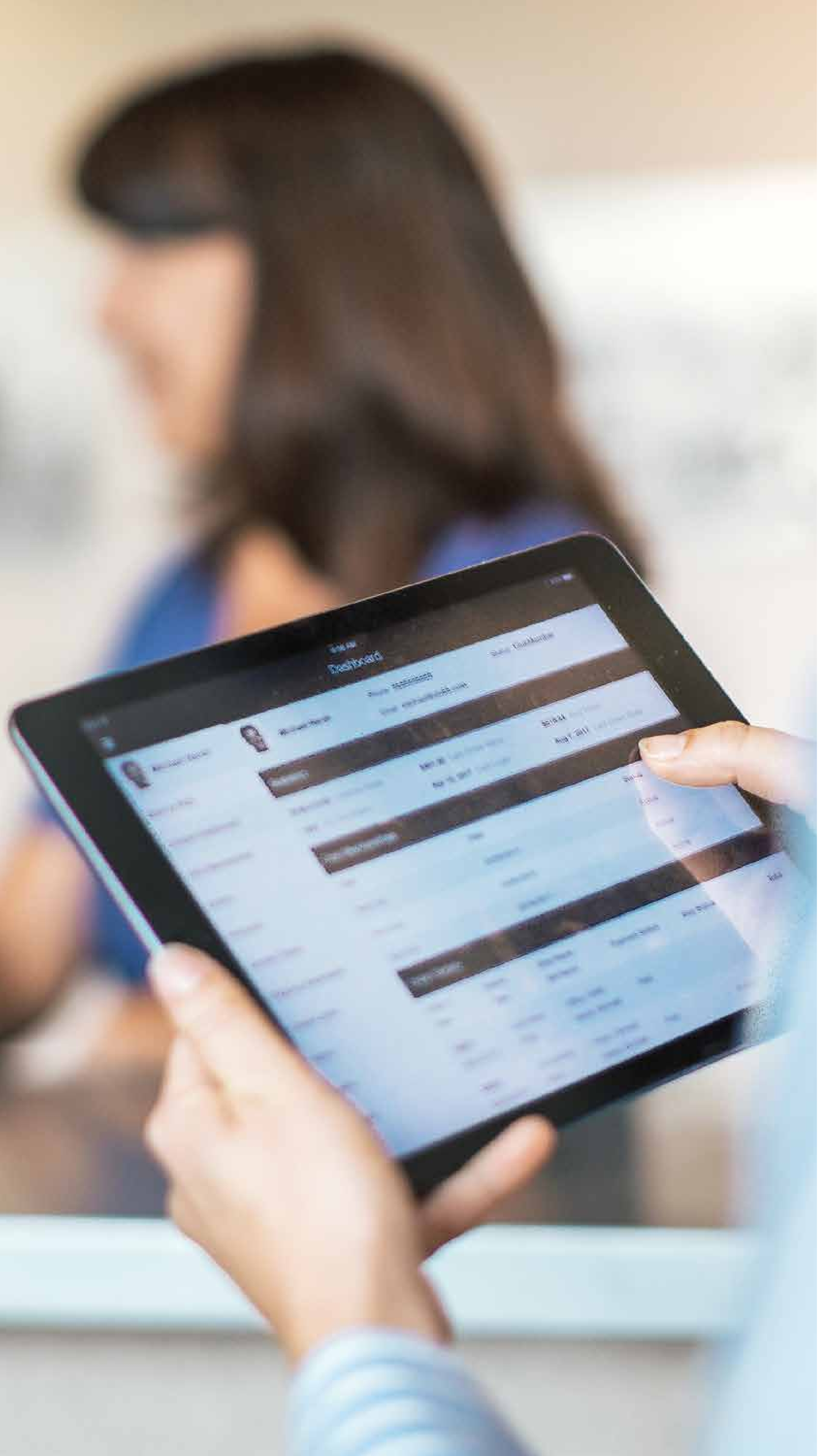

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"WineDirect has been instrumental in helping us grow DTC sales in our tasting room and online. Their innovative use of technology across the spectrum has saved us an incredible amount of time and money. Their powerful tools help us provide better customer service and upsell. WineDirect truly listens to their clients!"

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WINEDIRECT.COM
SALES@WINEDIRECT.COM