



DTC: surviving and thriving in 2020–21

Results of the Wine Direct-to-Consumer survey 2021

Wine Australia October 2021



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Key takeaways

- DTC outperformed other sales channels in 2020–21
- Cellar door performed most strongly as wineries adapted to COVID environment
- Online and wine club sales grew, but average value declined
- Investment in digital/online presence continued strongly
- Outlook for DTC among wine businesses was positive



About the respondents



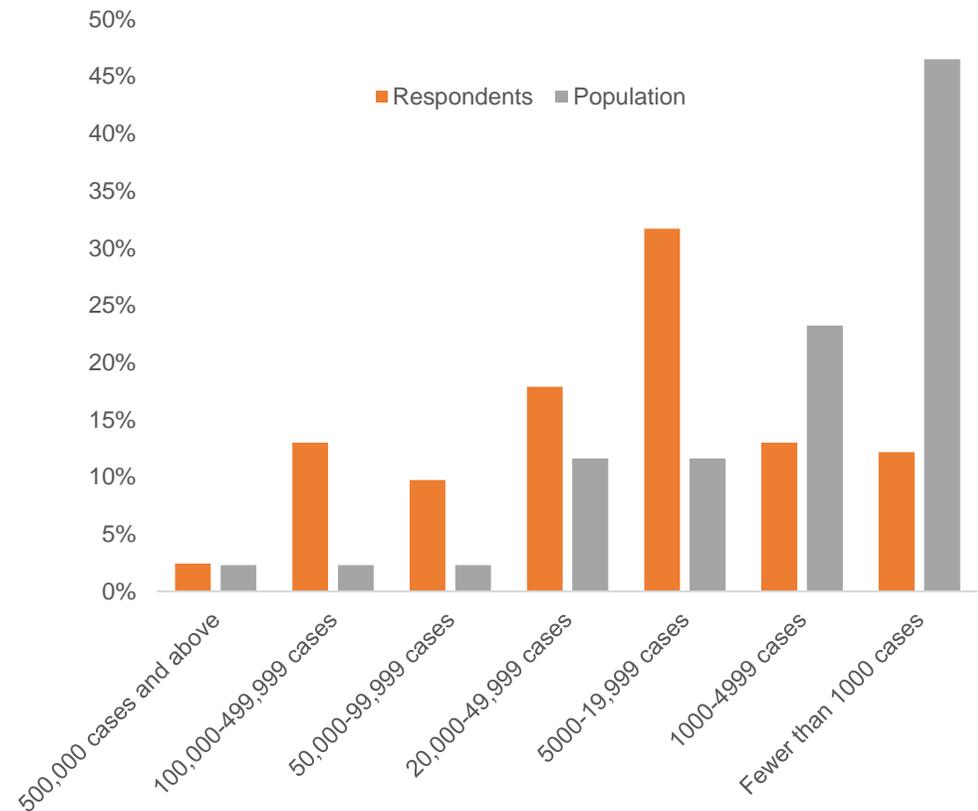
Over 120 wineries responded to the survey

A total of 123 wineries completed the Wine DTC survey in 2021 before the due date. This represents approximately 6 per cent of the total number of Australian wine businesses.

Based on the sales value reported by respondents, it is estimated that the sample accounts for approximately 11 per cent of all wine sales in 2020–21.

The response rate was higher than in 2020, but is still a relatively small sample. Medium-large wineries are over-represented, with wineries producing 50,000-500,000 cases accounting for 72 per cent of respondents compared with an estimated 28 per cent of all wine businesses. The survey results are therefore most applicable to wineries producing between 50,000 and 500,000 cases.

Share of sample by production size



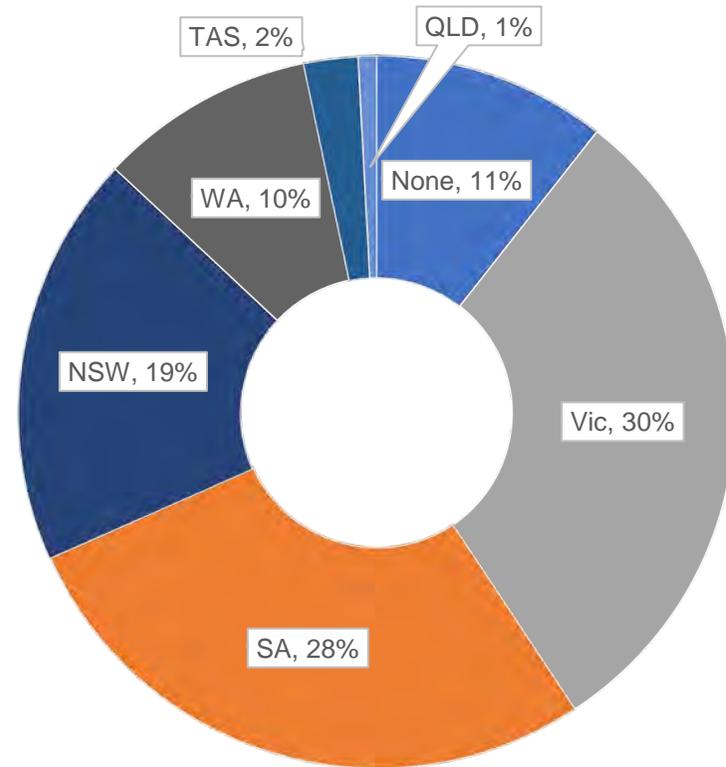
Respondents came from across Australia

Respondents were classified by GI and state based on the region of their cellar door. Wineries with no cellar door are categorised geographically as 'none'.

Compared with the state breakdown of 1417 active winery listings in the Australian Tourism Data Warehouse, (October 2020), Victoria and WA were over-represented in the sample, while NSW was significantly under-represented (19 per cent of the sample compared with 30 per cent of ATDW listings).

The largest individual GIs in terms of number of responses were: Yarra Valley (13), Hunter (11), McLaren Vale (10), Margaret River (9), Barossa (9), Orange (8), Mornington Peninsula (5), Adelaide Hills (5), Rutherglen (5) and King Valley (5).

Share of respondents by state of cellar door



Wine sales benchmarks

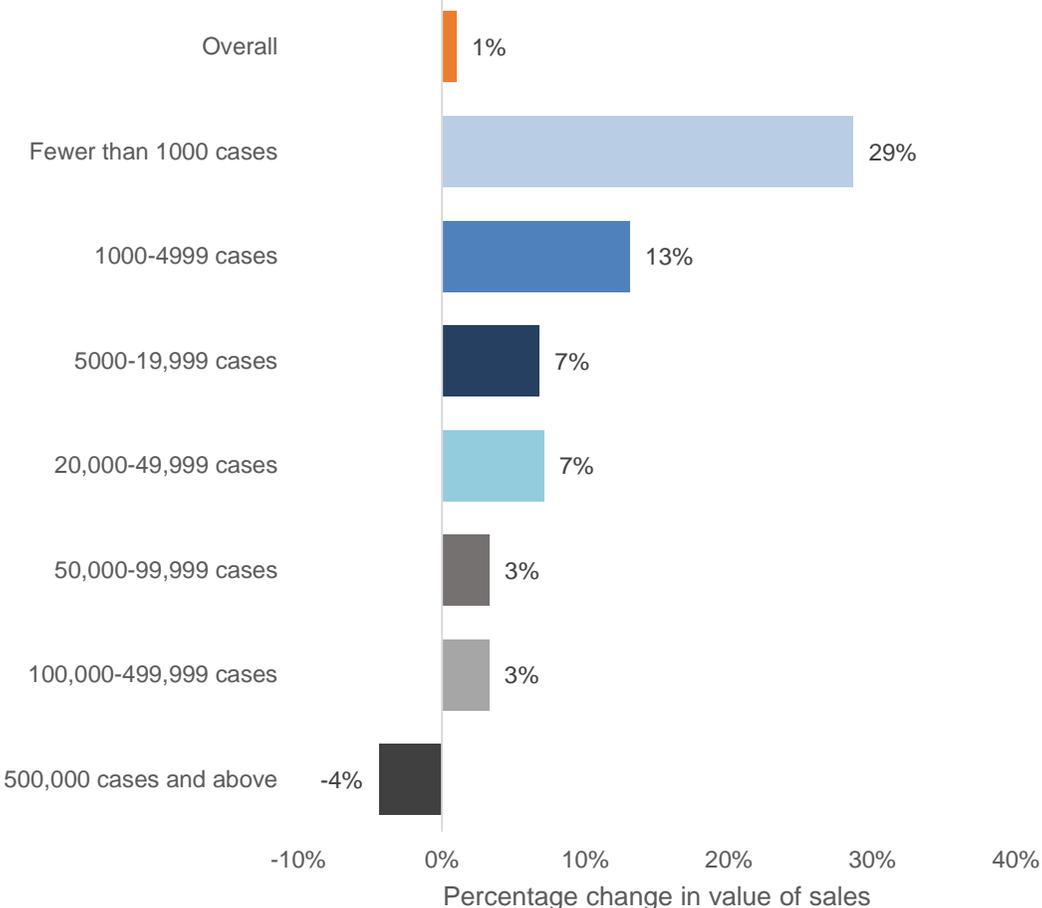


Overall wine sales were flat, but small wineries saw strong value growth

Overall, total wine sales revenue in 2020–21 grew by 1 per cent compared with the previous year, according to the survey results.

In general, smaller businesses had the strongest value growth, which may reflect their lower reliance on exports and wholesale sales. Australian wine exports declined by 10 per cent in value in 2020–21, while the domestic market overall was flat according to IWSR.

Percentage change in sales value year-on-year



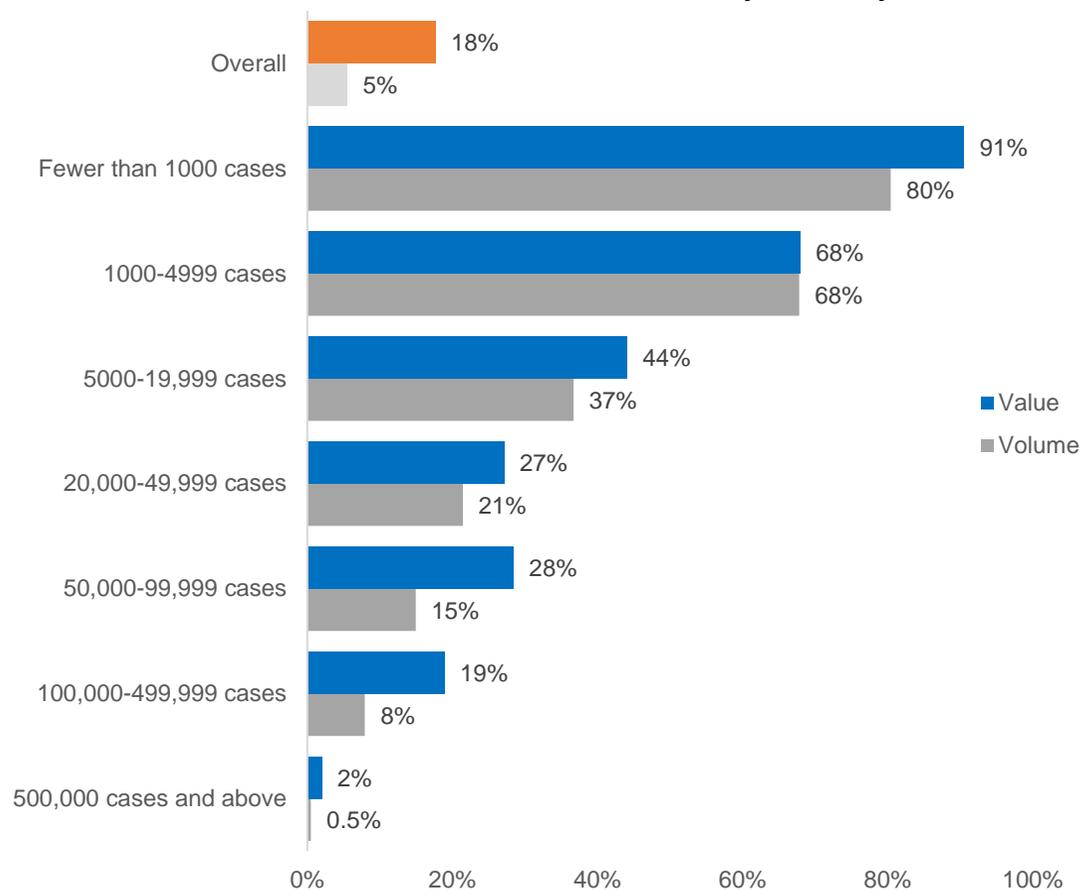
DTC share of sales was larger for smaller wineries

As has been consistently found over the past three surveys, DTC made up a higher share of wine sales value than volume, while the share of DTC generally increased with decreasing winery size.

Overall, DTC accounted for 18 per cent of wine sales value and 5 per cent of volume in 2020–21, indicating a higher average value than other sales channels.

Modelling based on these results and other sources indicates that the total volume of DTC sales in 2020–21 was approximately 80 million litres (or 9 million cases) at a retail value of around \$1 billion.

DTC share of total sales by winery size

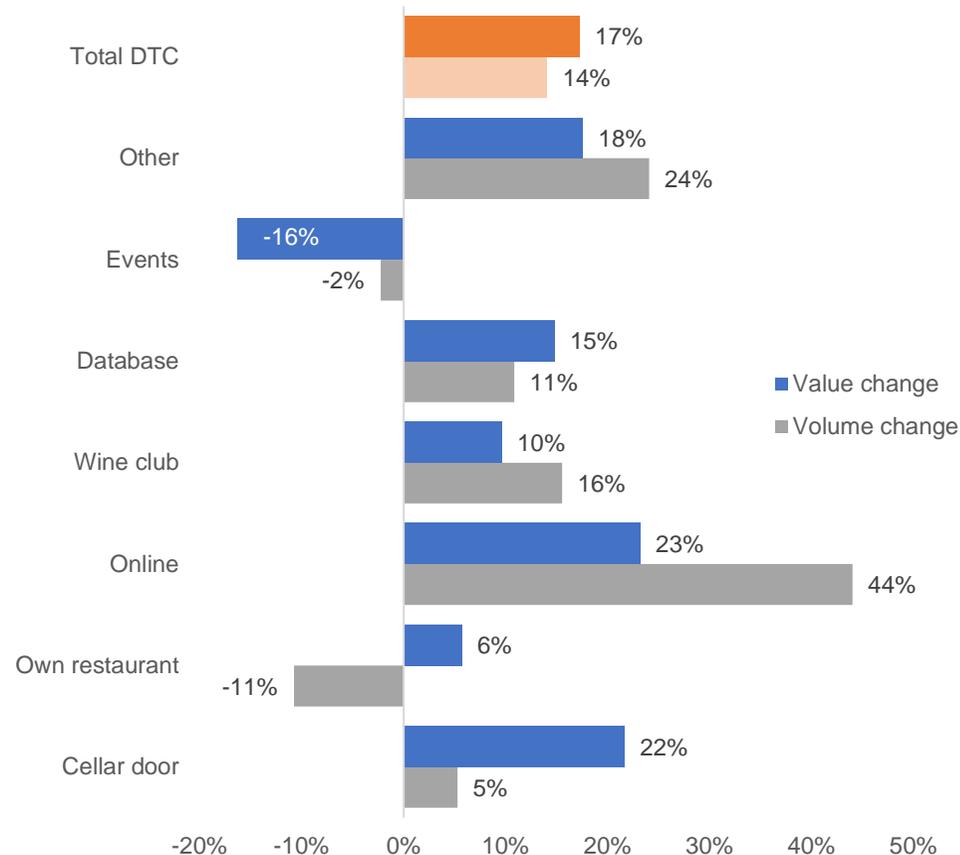


DTC sales showed strong growth in value and volume – outperforming other channels

DTC sales grew overall by 17 per cent in value and 14 per cent in volume, outperforming other channels and increasing profitability through an increased average value.

Online and cellar door had the strongest value growth in 2020–21. Cellar door sales were recovering to some extent from a decrease in 2019–20 as a result of the nationwide lockdown in the last quarter, while online sales built on their strong growth the previous year with a further increase. However, online sales saw a much larger increase in volume than in value, giving an overall decline in average value.

DTC sales change year-on-year by channel



Cellar door was the largest contributor to DTC revenue

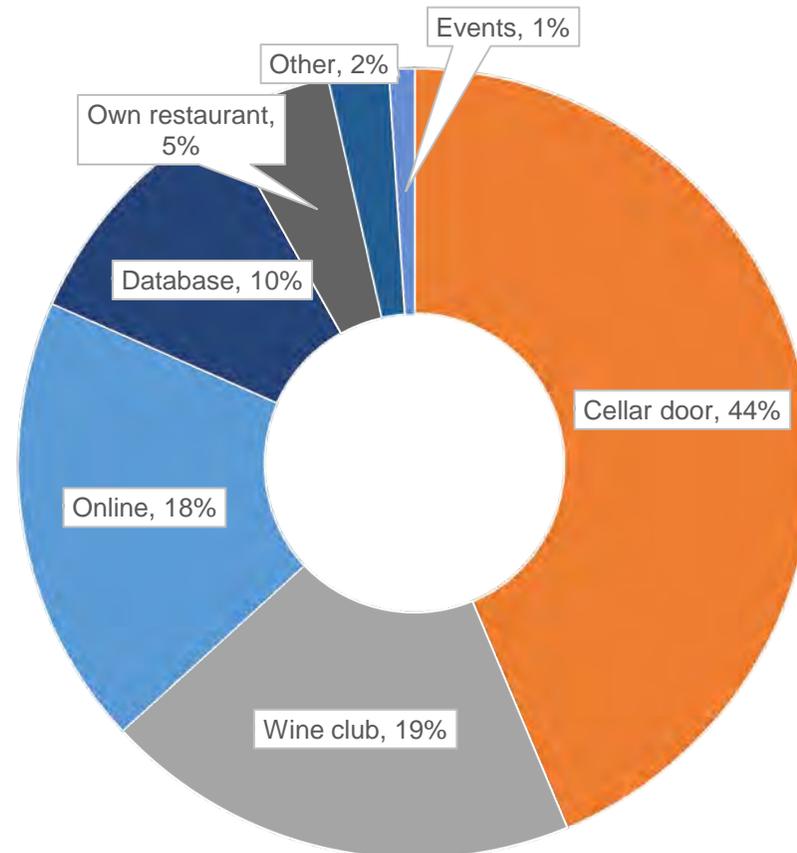
Cellar door contributed 44 per cent of total DTC revenue, up from 42 per cent the previous year.

By contrast, wine club revenue decreased from 21 per cent in 2019–20 to 19 per cent in 2020–21.

There was some variation between the states in the reliance on the different channels. For example, NSW respondents had a relatively high reliance on wine club revenue, while Victoria and SA had the largest contribution from online sales (see table below).

	NSW	Vic	SA	WA
Cellar door	42%	44%	47%	38%
Wine Club	33%	12%	15%	19%
Online	15%	23%	23%	9%
Other	10%	21%	15%	35%

DTC revenue by channel 2020–21



Average value increased overall but mixed results for individual channels

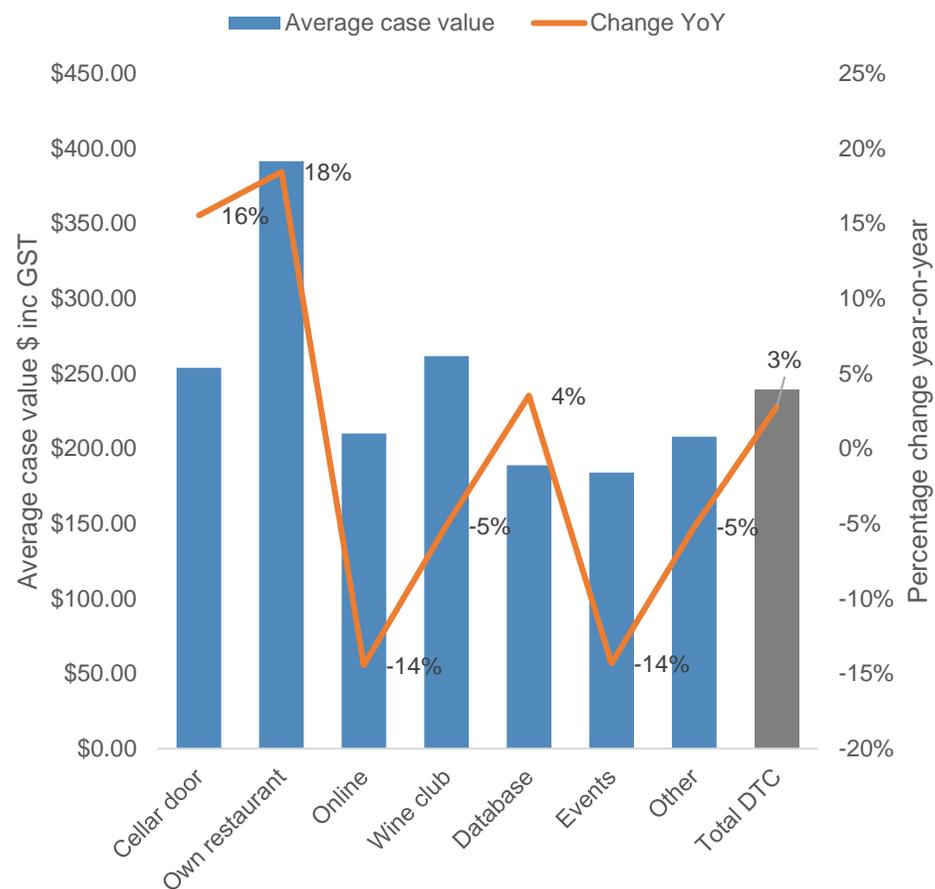
Across all DTC channels, the average retail 9-litre case value for survey respondents in 2020–21 was \$239 (inc GST).

This was up 3 per cent compared with the previous year (based on figures provided by respondents in this year's survey).

Apart from 'own restaurant', which is a very small segment, the highest average case value was for wine club (\$262 per case) followed by cellar door (\$254) and online (\$210).

There was a big drop in the average case value for online sales (down 14 per cent), while the average value per case for cellar door sales increased by 16 per cent.

Average value and change by DTC channel



Cellar door operations



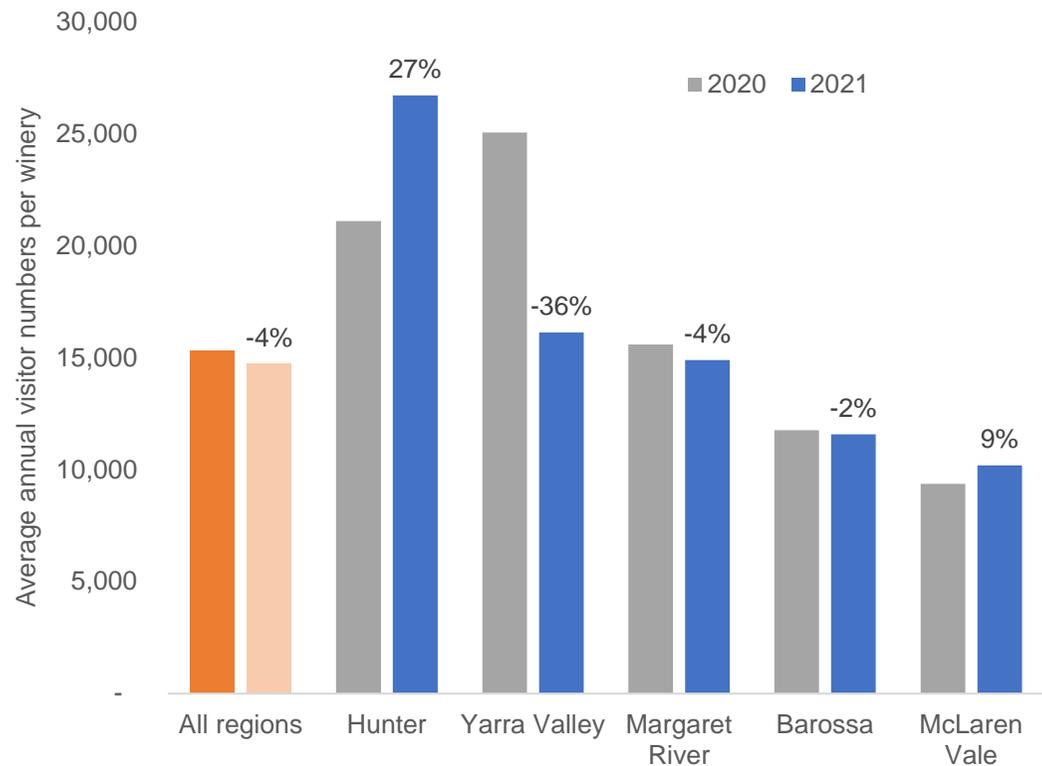
Visitor numbers declined slightly overall, but regions had different results

Last year's survey showed a 23 per cent reduction in visitor numbers compared with the previous year, as a result of the first COVID lockdown in March 2020.

In 2020–21, Victoria was in lockdown for over four months (July–October). Other states had no more than a few days of lockdown, but all states were affected by continuing international border closures, cross-border restrictions and limitations on retail and hospitality activities. Overall, this led to a small decline in visitor numbers compared with the previous year, but there were significant differences between regions, indicating the degree of variation in circumstances.

Note that respondent numbers for individual regions are very small (7-10). Other regions did not have sufficient responses for separate reporting.

Average visitor numbers and percentage change by year and region



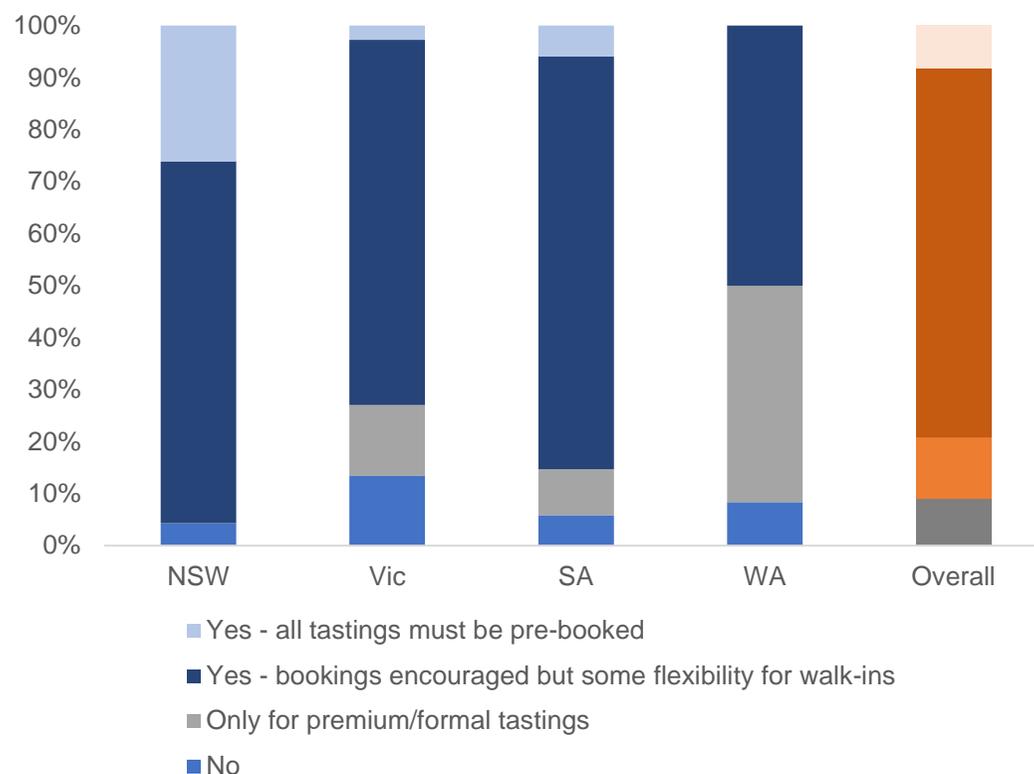
Visitor management did not change much but bookings were a dominant feature

There was little difference in the results for counting visitors and recording contact details compared with last year's survey. Surprisingly, the percentage of wineries reporting that they did not count visitors increased from 17 per cent in last year's survey to 26 per cent. Booking systems were used by just 5 per cent of respondents to count visitors.

The percentage of wineries collecting contact details from visitors 'always or usually' increased slightly from 37 per cent in 2019–20 to 41 per cent.

A large majority of wineries (71 per cent) reported that bookings were encouraged but not mandatory, while only 8 per cent required all tastings to be pre-booked (down from 11 per cent last year). NSW wineries were most likely to require bookings for all tastings.

Requirement for bookings by state



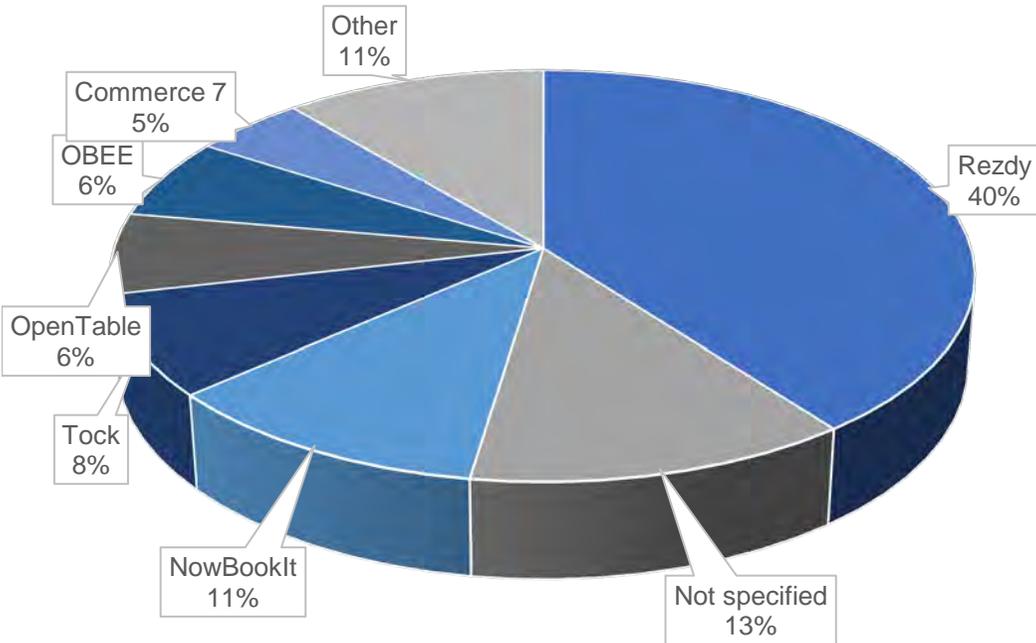
Wineries used a range of online booking platforms

Online booking platforms were used by 62 per cent of wineries that reported taking bookings. The dominant platform was Rezdy (40 per cent of nominations) but there was a big range, with 12 different platforms nominated between 63 respondents.

The average rating (out of 5) given to each of the top five platforms is shown in the table below.

Booking platform	Average rating
Rezdy	3.8
NowBookIt	4.0
Tock	4.0
OpenTable	3.7
OBEE	4.0

Online booking platforms used by respondents



Charges for tastings have increased

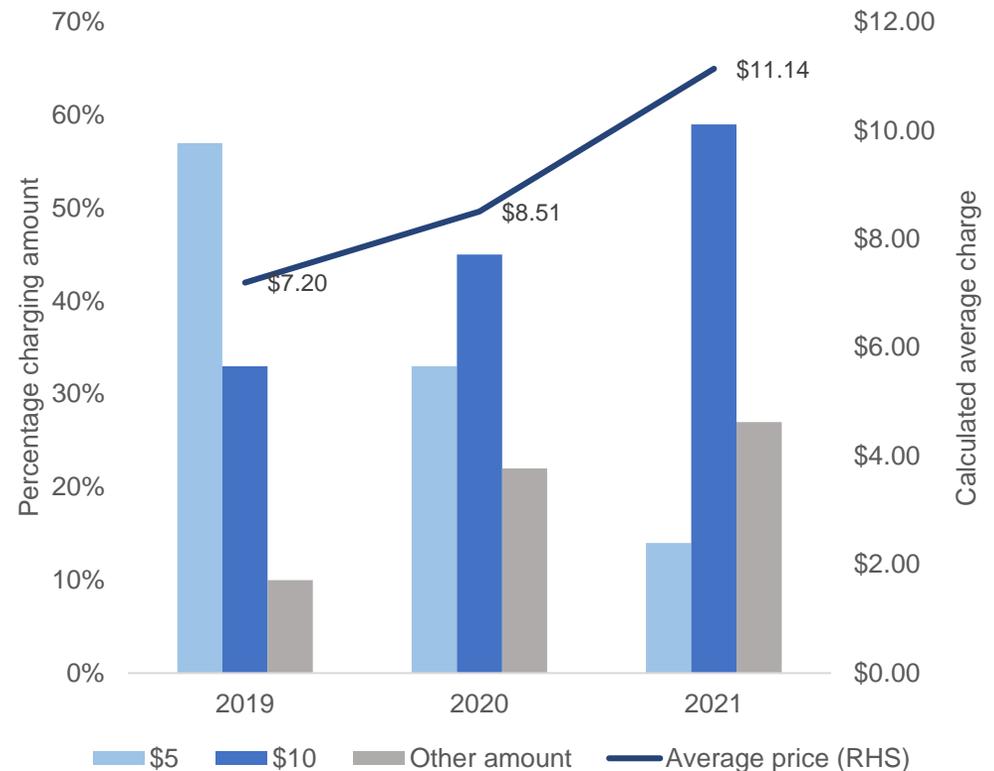
The proportion of wineries charging for standard tastings jumped significantly from 54 per cent in last year's survey to 73 per cent. WA had the highest proportion charging (83 per cent) and NSW the lowest (68 per cent).

The amount charged for a standard tasting also increased, with the average value increasing by 31 per cent to \$11.14, while the proportion of respondents charging \$5 reduced and the proportion charging \$10 increased.

Average charge by GI

GI	Av charge
Barossa	\$19.29
Hunter	\$7.14
Margaret River	\$7.16
McLaren Vale	\$12.22
Yarra Valley	\$12.15

Comparison of standard tasting fees charged by year



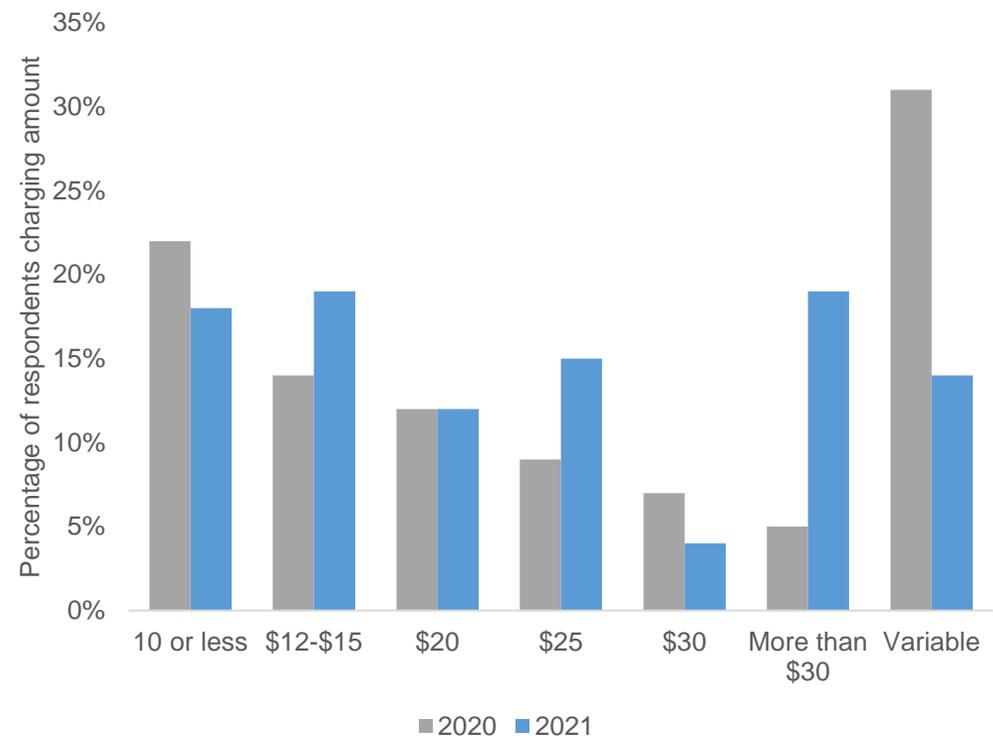
Premium tastings also increased in value but reduced in range

The proportion of wineries charging for premium tastings increased slightly (87 per cent, compared with 82 per cent in the 2020 survey).

The average amount is estimated to be around \$27.50, compared with \$23 reported in 2020 and \$19.60 in 2019.

It was noticeable that the proportion nominating a variable amount decreased by more than half. This suggests a deliberate reduction in the number of options provided to visitors by wineries.

Comparison of premium tasting fees charged by year



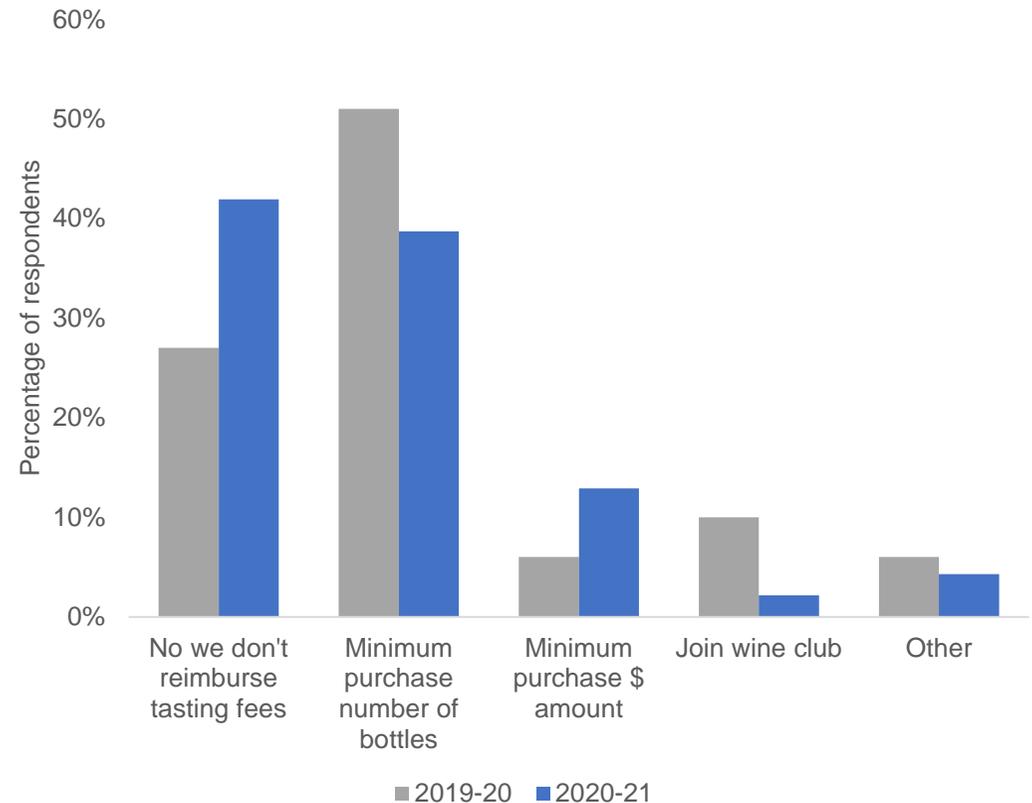
Fewer wineries reimbursed tasting fees

The proportion of wineries reimbursing fees for standard tastings decreased from 73 per cent last year to 58 per cent.

Combined with the increase in the proportion of wineries charging for tastings, this means that an estimated 30 per cent of wineries charged a non-refundable fee for a standard wine tasting. This is double the figure from last year's survey.

The most popular reimbursement option in 2020–21 was still a minimum number of bottles, but there was an increase in the proportion of wineries requiring a minimum purchase dollar amount. The option to join the wine club decreased in share of nominations.

Reimbursement requirements year-on-year comparison



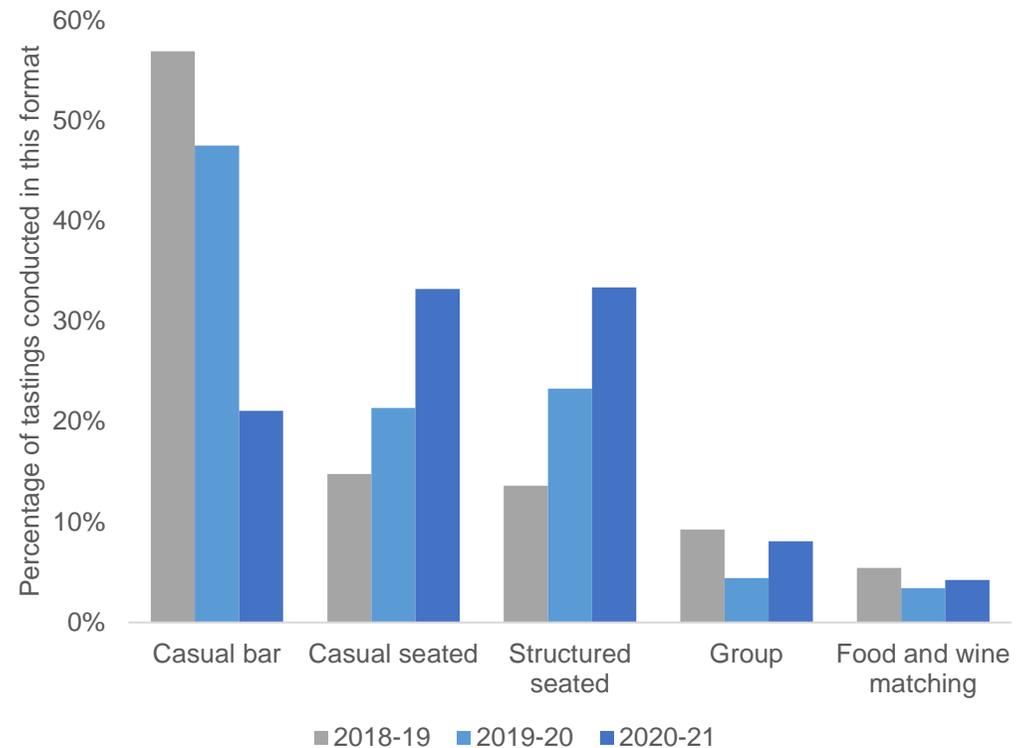
Share of casual bar tastings declined further

Respondents were asked to estimate the percentage of tastings conducted in different formats (as at 30 June 2021).

In last year's survey there was a big drop in the reported share of casual bar tastings, while the share of seated tastings increased from 29 per cent to 44 per cent.

In this year's survey that change was extended, with the share of casual bar tastings falling to 21 per cent, while casual and structured seating formats both increased by 50 per cent to take a one-third share of all tastings each. This may be the continued (temporary) result of COVID-19 restrictions, or it may turn out to be a permanent change.

Share of tastings by format – year-on-year comparison



Variations in tasting formats by state reflected different COVID circumstances

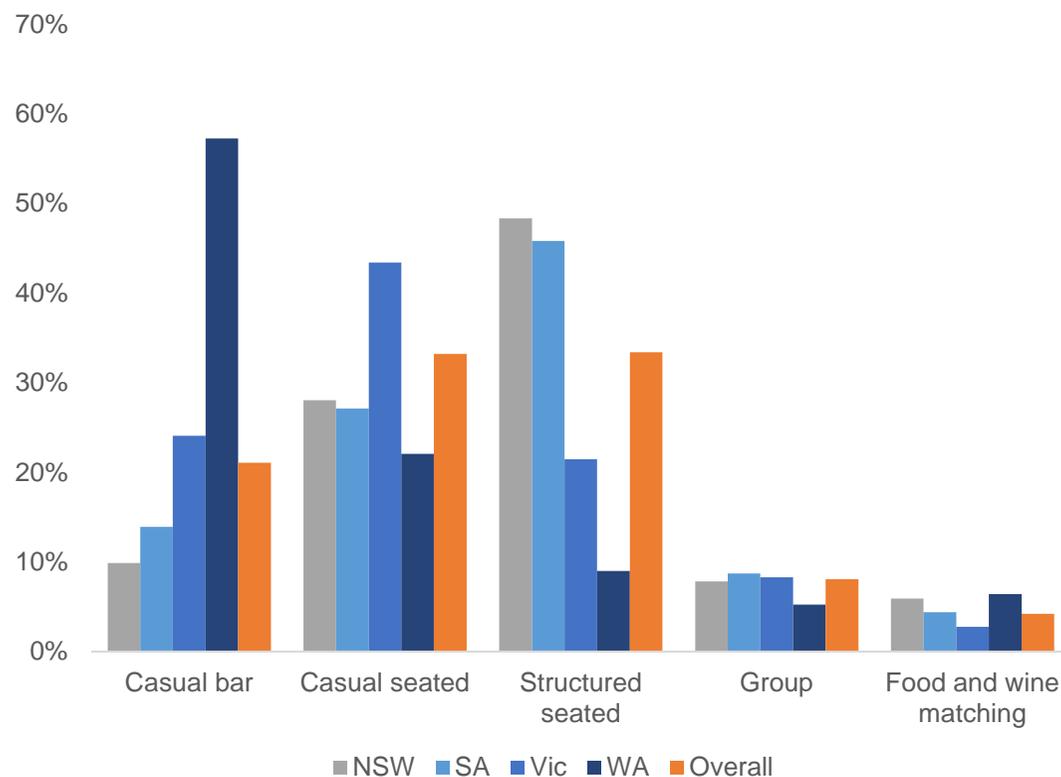
A comparison of tasting formats by state indicates a considerable amount of variation.

In Western Australia, 57 per cent of tastings were casual bar tastings and only 9 per cent were in a structured seated layout.

In South Australia and NSW, structured seated tastings were the dominant format, while in Victoria, casual seated tastings accounted for nearly 50 per cent of the total.

An analysis of formats by winery size did not show any significant variations from the overall pattern, indicating that the differences related to different state circumstances and visitor behaviour, rather than a different mix of winery sizes in each state grouping.

Share of tastings by format – comparison by state



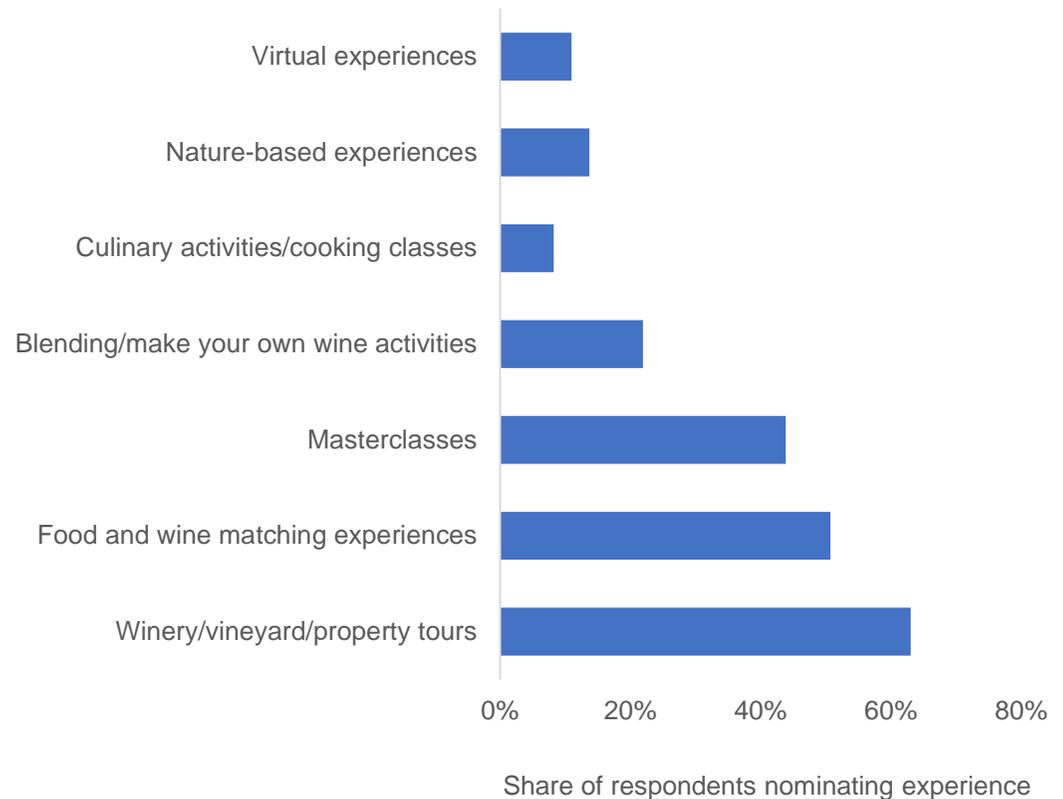
Tours were the most offered experience

In a new question this year, respondents were asked to nominate which paid experiences (from a pre-set list) they offer to visitors.

The responses indicated that the most offered experiences were tours of the winery/vineyard/property, with more than 63 per cent of respondents offering these. Overall, respondents nominated an average of two experiences each.

Wineries also reported providing a range of services and facilities, including platters (55 per cent), own restaurants (28 per cent), functions and weddings (43 per cent) and accommodation (17 per cent). The responses were similar to last year, except for 'shop (products other than wine)', which received the second highest share of nominations (47 per cent) compared with 16 per cent in 2020.

Visitor experiences offered by wineries



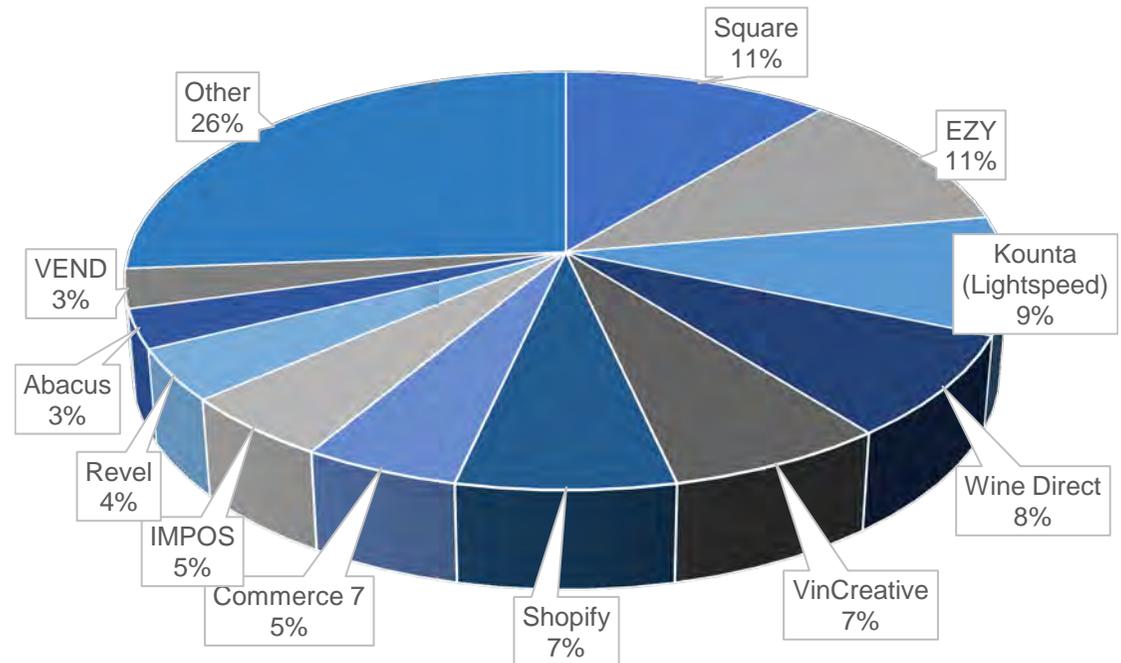
Wineries used a wide range of POS systems

As was the case for online booking systems, wineries reported a large number of different POS systems: a total of 33 different systems nominated by 99 respondents.

The average rating (out of 5) given to each of the top six platforms is shown in the table below.

POS system	Average rating
Square	4.0
EZY	2.7
Kounta (Lightspeed)	4.2
Wine Direct	3.9
VinCreative	3.0
Shopify	4.1

POS systems nominated



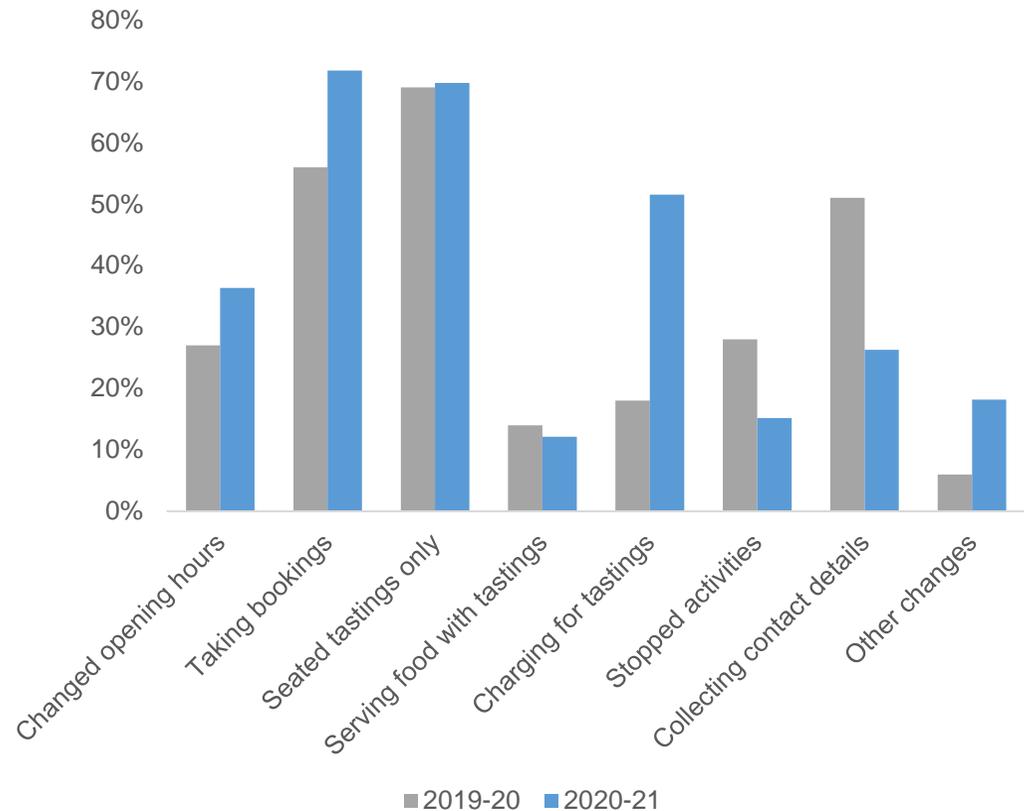
Responses to COVID were amplified in 2020–21

Businesses were asked last year what changes they had made to cellar door operations as a result of COVID-19 that they were still doing. The question was repeated in this year's survey, and results showed an amplification of most the previously identified changes, particularly taking bookings and charging for tastings.

Over 70 per cent of respondents indicated that they are now doing seated tastings only, a similar percentage reported taking bookings and over 50 per cent had started charging for tastings.

These results indicate that the first full year of 'living with COVID' produced more adjustments than the first three months of the pandemic, which occurred in the last quarter of 2019–20.

Changes made as a result of COVID-19



Wineries showed a creative range of adaptations

Charged seated tastings

Stopped exhibitions

Wine flight format for tastings

Added new experiences tailored to demand
and less staff heavy to reduce costs

Built large covered patio to
expand visitor numbers

Was charging before but now do
not refund on purchase

Opened outdoor wine bar

Stopped offering food. Distraction and too much
staff time. Result: more wine sales and more
customers focusing on wines.

Offering more tailored and
premium wine tasting flights

Structured tastings

Limit numbers of people in group

Paid, seated tastings

Expanded serving area

Supply own spittoon, and bottled
water

Offering QR for sign up to Wine Club

Increased tasting fee

Reduction in large group bookings

We never had seated tastings prior to COVID and will keep this as an ongoing option in Cellar Door. We have also started using an online booking system which we did not have previously.

Wine clubs and online sales



Wine club sales grew but average value declined

Wine club benchmarks 2020–21

Overall, wine clubs accounted for 19 per cent of DTC sales value. Although wine club sales revenue grew by 10 per cent in 2020–21, wine clubs' share of DTC declined from 21 per cent in 2019–20.

Average case value also declined – down 5 per cent to \$262, while average value per member declined by 14 per cent as a result of the reduced average case value combined with a slight reduction in shipments per member.

Generally, a decline in average case value indicates reduced profitability – unless the cost of the product also reduces.

Metrics	Survey average
WC share of total DTC revenue	19%
Growth in WC revenue	10%
Average value per case	\$262
Change in average value per case	-5%
Average shipments per member	2.1
Average value per shipment	\$231
Average value per member	\$484
Change in average value per member	-14%
Net club member growth rate	27%
Avg number of members (end of year)	881

Wine clubs offers included significant discounts

Just over two-thirds of respondents had at least one wine club. The average number of clubs/tiers per respondent (for those with at least one club) was 2.2.

Wine club offerings showed almost no change from last year's survey, in terms of the number of shipments, bottles per shipment, degree of choice and shipping cost options. Shipping was still overwhelmingly free on all orders, indicating that wineries did not perceive that delivery costs could be leveraged, even when offering full user choice.

In a new question this year, wineries were asked about discounts offered. The results showed that most wineries were offering significant discounts on wine club orders, but it cannot be determined whether this practice has changed since the previous year.

Wine club offers 2020–21



Clubs provided a range of extra benefits

Nearly half the respondents identified additional benefits provided to club members. These included:

- Access to member-only or VIP events
- Discounts or vouchers for accommodation, meals, tastings, event tickets, online wine purchases
- Gifts
- Access to pre-release and other restricted stock
- Complimentary tastings at cellar door
- Preferential seating, priority access
- Winery tours, vine planting, picking days, winemaker dinners, barrel tastings



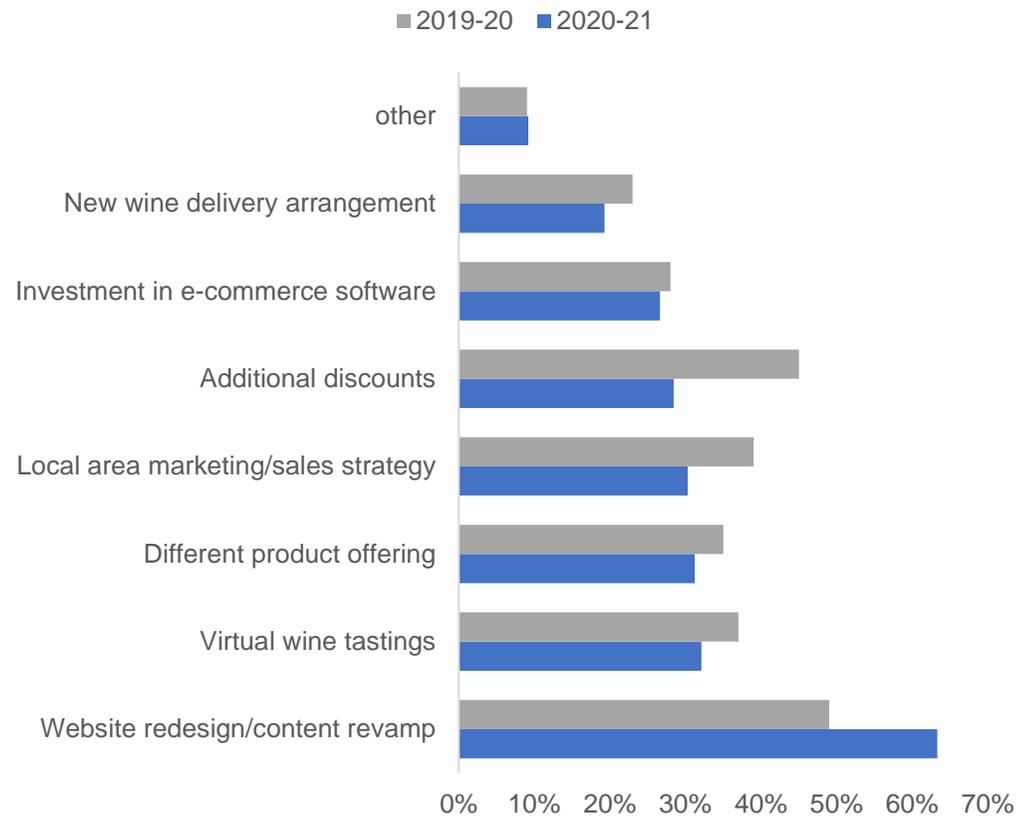
Growth in online sales and investment continued

Online sales accounted for 18 per cent of DTC revenue in 2020–21, the same as the previous year. Volume increased by 44 per cent, but value only grew by 23 per cent, meaning that average value decreased by 14 per cent to \$210 per case.

The percentage of respondents making new investments during the year in different aspects of their online/digital sales business was generally slightly less than was reported last year, except for even more investment in website redesign/content.

‘Other’ investments were mainly around extra resources (staff) especially for digital marketing and communication activities.

Investment in digital/online sales – comparison by year



Three main e-commerce platforms dominated

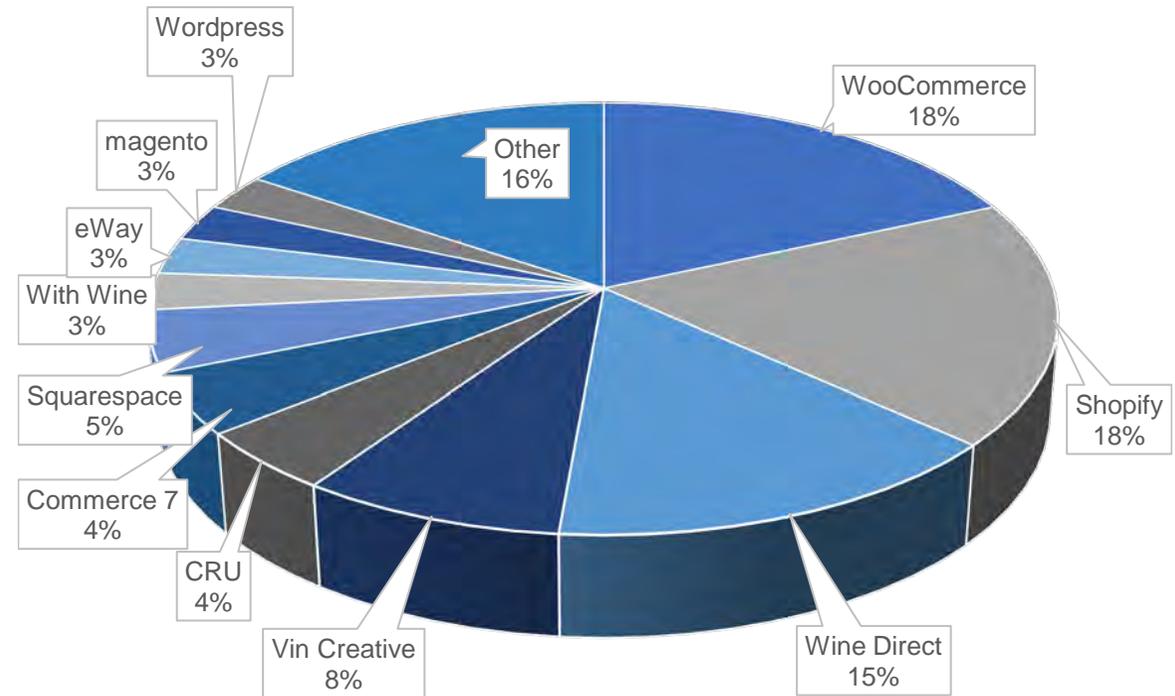
There were 28 different e-commerce systems nominated by 114 respondents; however, three dominated with half of all nominations between them.

Only 7 per cent of respondents did not use an e-commerce platform.

The average rating (out of 5) given to each of the top seven platforms is shown in the table below.

E-commerce	Average rating
WooCommerce	3.5
Shopify	4.2
Wine Direct	3.8
Vin Creative	3.4
CRU	3.4
Commerce 7	4.0
Squarespace	3.8

E-commerce systems nominated



Database sales and communication with customers



Database-generated sales increased in value

Database sales benchmarks 2020–21

Database-generated sales include sales resulting from phone or email campaigns directly targeted to a winery's database of contacts. Not all wineries are able to report these sales separately from other channels.

Based on the survey results, database sales accounted for an estimated 2 per cent of total wine sales revenue in 2020–21 and 10 per cent of DTC sales.

Database sales revenue grew by 15 per cent, while volume grew by 11 per cent, giving a 4 per cent increase in average value.

The number of database contacts grew by an average of 15 per cent, but the average value per contact declined by 6 per cent.

Metrics	Survey average
Database sales share of DTC revenue	10%
Growth in database sales revenue	15%
Average value per case 2020–21	\$189
Growth in average case value	4%
Average number of contacts 2020–21	8889
Database contact net growth rate	15%
Average value per contact 2020–21	\$18
Growth in average value per contact	-6%

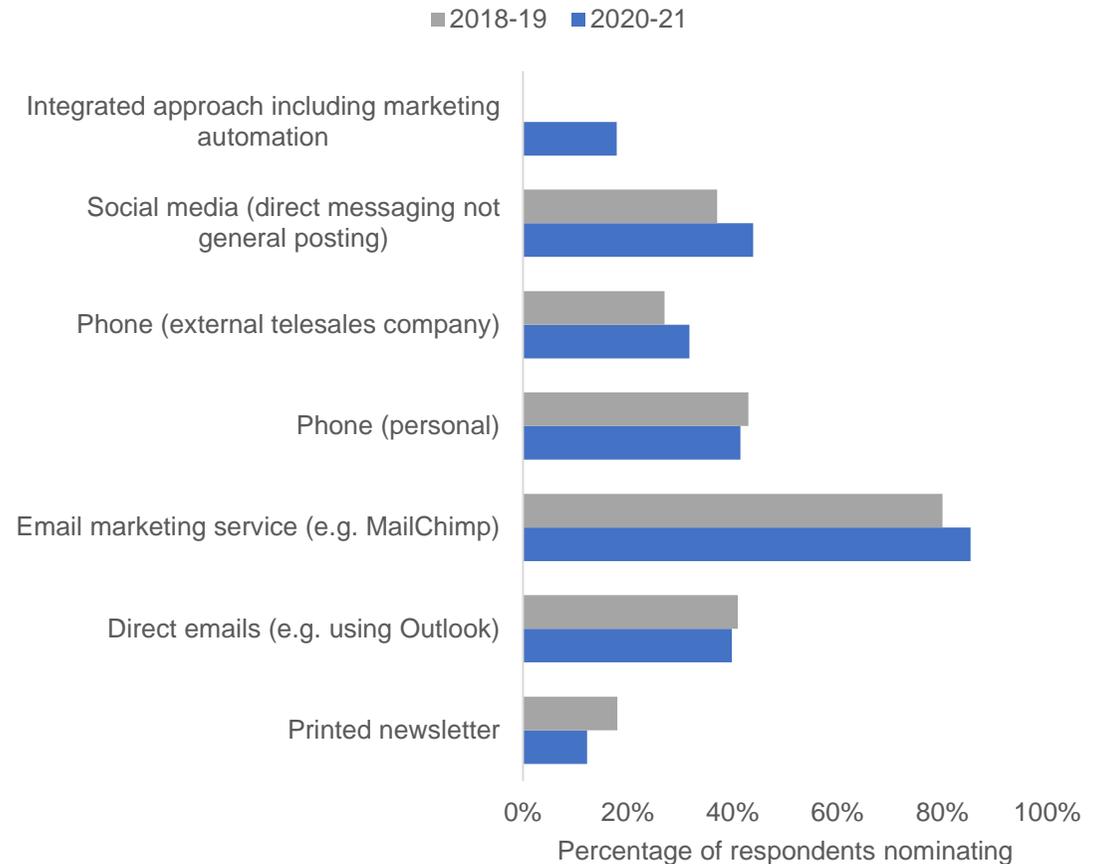
Communication with contacts increased

Respondents were asked to nominate methods used for communicating with database contacts and frequency of communication. These questions were reported in the 2019 survey but were not reported in last year's survey.

There had not been much change in communication methods in the two years, despite the significant change in operating conditions due to COVID-19. The dominance of email marketing via MailChimp or similar increased slightly, as did the use of social media messaging.

Frequency of communication did increase significantly. The proportion of respondents sending communications at least bi-monthly increased from 39 per cent in 2018–19 to 60 per cent in 2020–21.

Methods for communicating with contacts 2020–21



Most wineries did not use a dedicated CRM

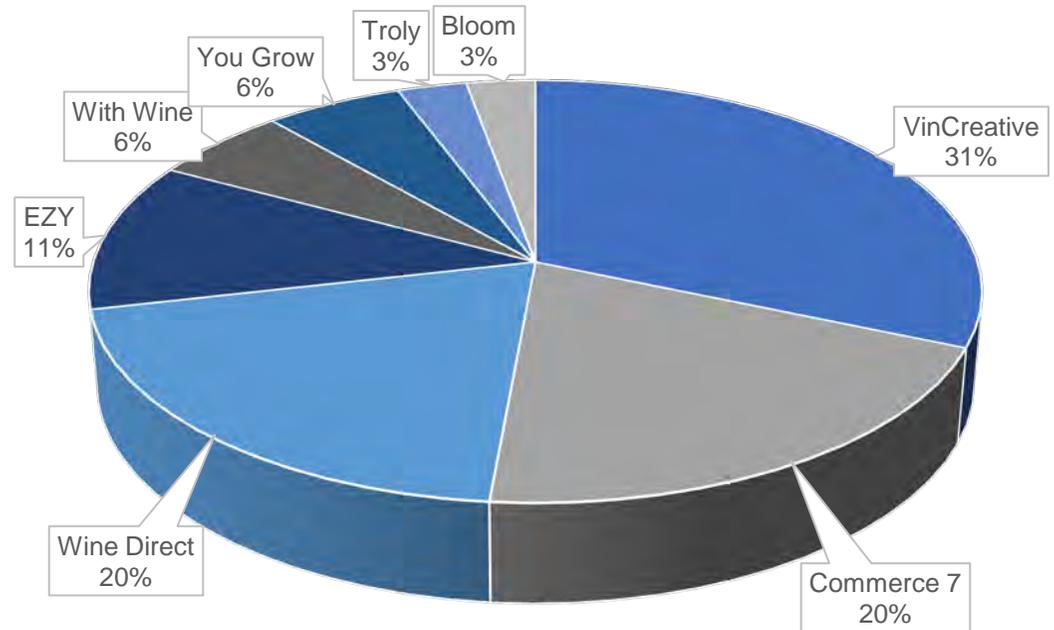
Of the 123 respondents to the survey, 66 (54 per cent) reported that they used 'specialised Customer Relationship Management (CRM) software' to manage their customer contact details and interactions. 62 respondents (50 per cent) nominated the software system used.

Only 35 nominations (28 per cent) were for recognised wine-specific CRM systems. Most of the others were for email marketing or sales software.

The average rating (out of 5) given to each of the top four wine CRM platforms is shown in the table below.

CRM system	Average rating
VinCreative	3.5
Commerce 7	4.0
Wine Direct	3.1
EZY	2.8

Share of CRM nominations by proprietary software



Note: shares are out of the 35 nominations for wine-specific CRM software

Looking ahead

Wine Australia October 2021



Strategic focus on DTC customer experience identified as key to success

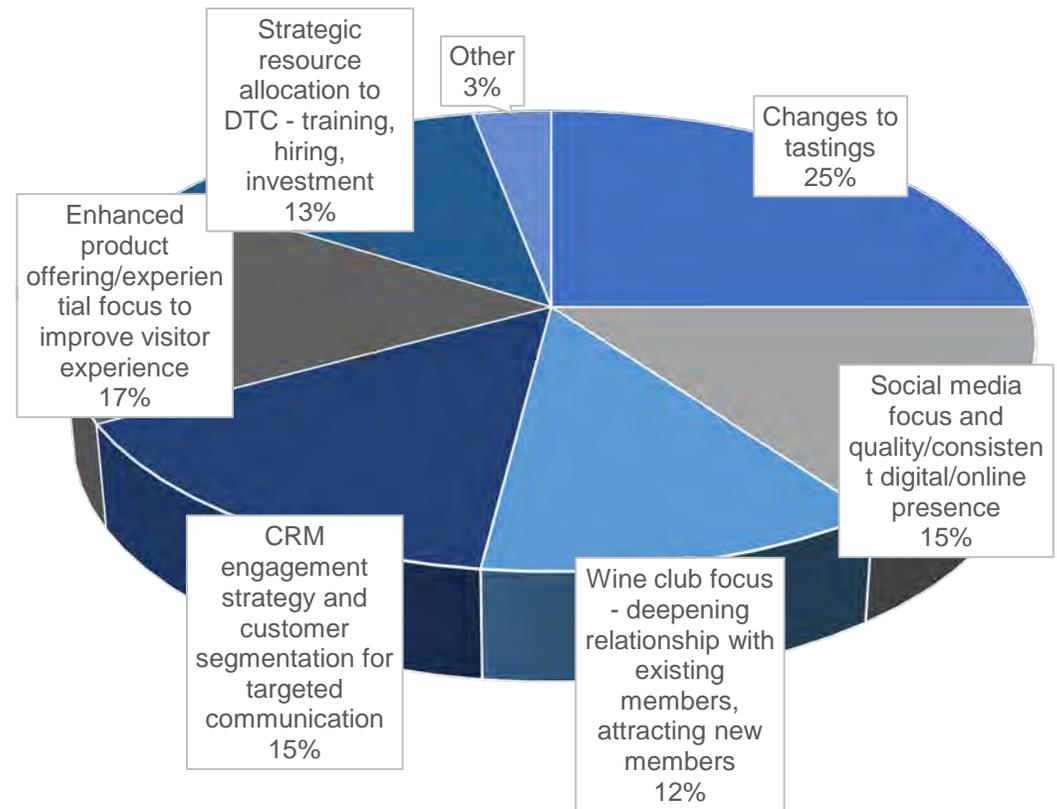
Respondents were asked to nominate the most important new practice introduced that they intend to keep doing in future.

One quarter of responses related to cellar door tastings. The key change was the requirement (or encouragement) for pre-booked tastings, followed by the introduction of payment for tastings and the requirement for visitors to be seated.

Other themes focused on heightening concentration on guest experience and customer satisfaction, enhanced product offerings and strategic resource allocation across all DTC channels.

The importance of having a high quality and consistent digital presence across website and social media channels came across strongly.

Most important new practice - categories



Range of reported successful practices was diverse

Wine flight format for tastings

Increased social media and live streaming

Increased focus on DTC channels over trade

Sit down tastings have been great to engage with customers on another level.

give ourselves one day off a week!

Employed a Direct-to-Consumer specialist.

Charging for wine tastings

Increase customer engagement via email marketing and virtual / private events

Offering more tailored and premium wine tasting flights

Structured tastings

exponential social media engagement increase

Wine Education as a philosophy.

Pushing online sales and wine delivery to those who can't visit us in person.

more regular CRM directed email offerings to customers

Management re-structure, plus a focussed approach to sales through specific channels.

On-line virtual tastings

Promoting our wine at my local golf club

A structured environment for seated tastings in cellar door. Allowing a far superior model for staffing as well as now providing a tasting experience which is far superior to what we previously had.

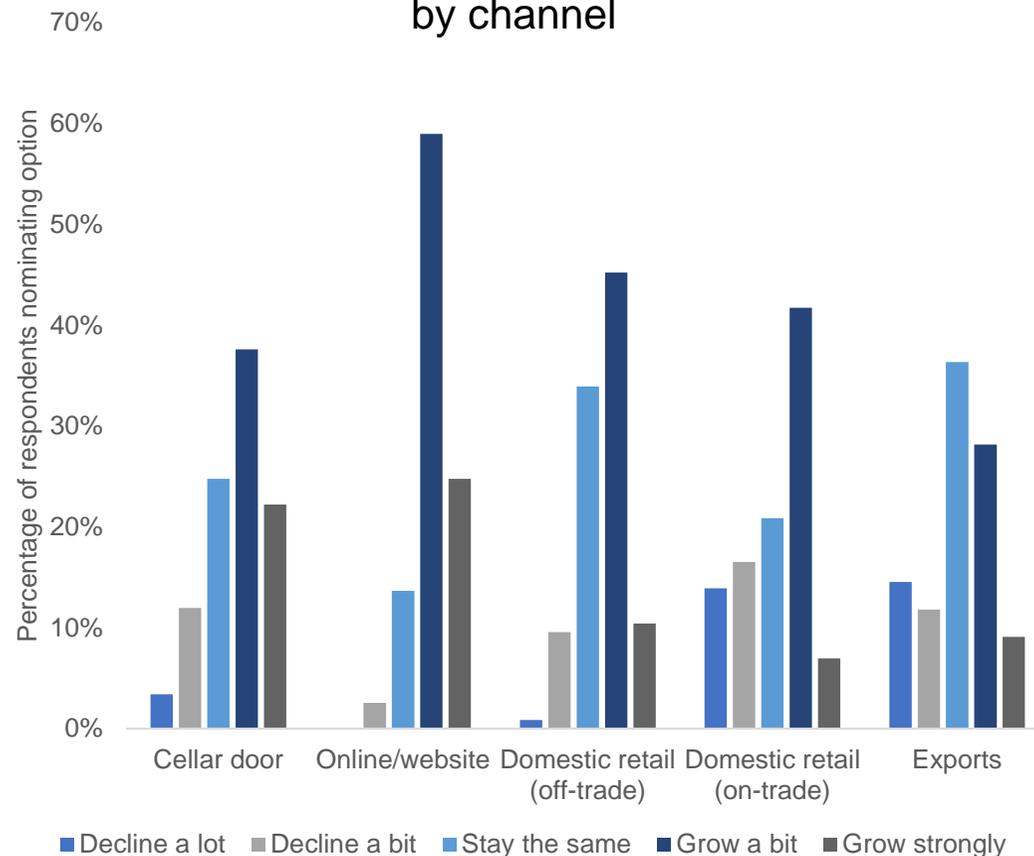
Strongest growth was forecast for online and cellar door channels in 2021–22

Respondents were asked whether they expected different sales channels to grow or decline over the next 12 months.

Overall, respondents were positive in their outlook. Online and cellar door were expected to have the most growth, with 84 per cent of respondents expecting online to grow (either 'a bit' or 'strongly') and 60 per cent expecting cellar door to grow.

Sentiment around the outlook for domestic retail (on-trade) was modest, with more than half expecting levels to be flat or down but 42 per cent expecting 'a bit' of growth. In terms of exports, 63 per cent expected flat or declining levels, with only 9 per cent anticipating strong growth. The impact of Chinese tariffs was clear, with comments highlighting the need to explore and invest longer-term in new markets.

Forecast change in sales over the next 12 months by channel



Survey method, disclaimer and copyright



Survey method

The Wine DTC survey 2021 was conducted by Wine Australia for the fourth time in 2021, using the same method as in previous years. The survey was conducted via an online survey using Survey Monkey.

An invitation to participate was sent to over 2000 wineries in August 2021. 123 wine businesses completed the survey (compared with 124 in 2019 and 108 in 2020). The improvement in response rate compared with last year is largely attributable to additional resources being employed to contact wineries and encourage participation. Despite these efforts, the sample is relatively small, indicating that the value of the survey data is not seen as sufficient to justify the relatively large effort required to complete the survey (particularly compiling the sales volume and value data by channel) for most wine businesses in Australia.

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 reliable reporting 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/>.

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.

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