



Wine Australia for Australian Wine

THE VALUE OF DTC

Results of the
Cellar door and
direct-to-
consumer
survey 2019

October 2019

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Survey method

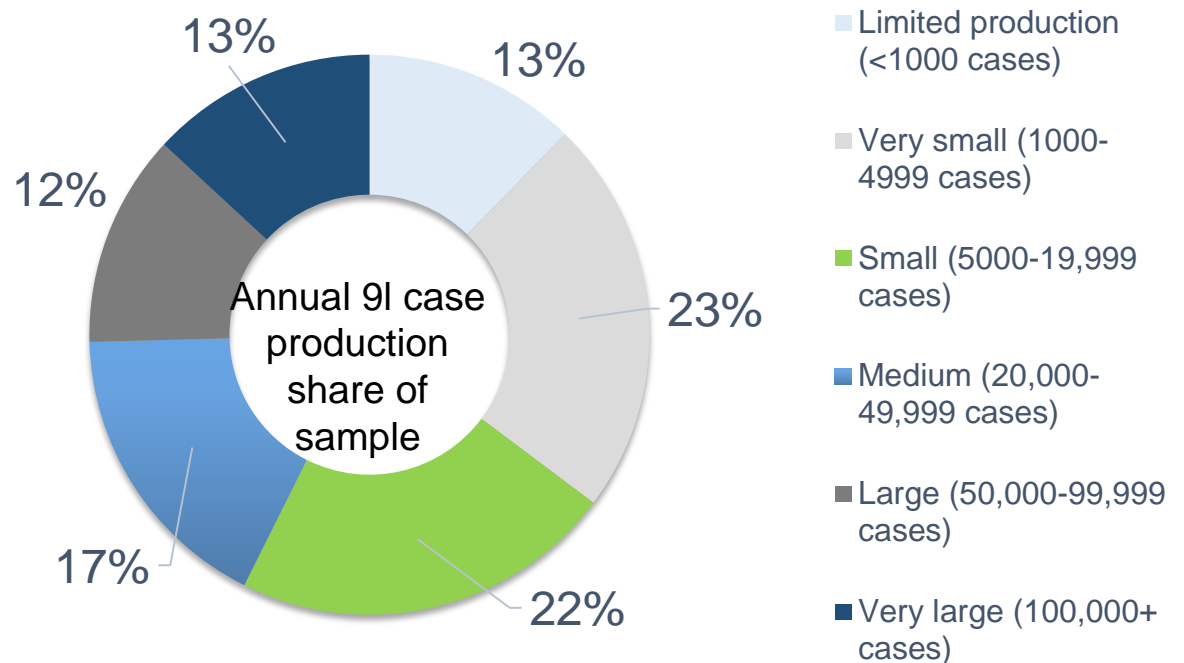
- The *Cellar Door and direct-to-consumer* survey was conducted by Wine Australia for the second time in 2019, following a positive response to the inaugural survey conducted in 2018 with funding provided as part of the Australian Government's \$50 million Export and Regional Wine Support Package.
- In 2019 the survey was conducted in collaboration with Wine Business Solutions, in order to rationalise survey load for wineries, increase the pool of potential respondents and enable international benchmarking of results. 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.
- There were some changes to the questions, particularly relating to income, to enable more accurate data to be collected and ensure alignment with the US, New Zealand South African surveys. This made the survey more time-consuming to complete.
- The survey was conducted via an online survey using Survey Monkey.
- An invitation to participate was sent to over 2000 wineries in August 2019. 124 respondents completed the survey (compared with 180 in 2018), with a higher proportion of larger wineries participating.
- The results show a good alignment with last year's results and with other sources of data for the overall wine sector.

Participation by production size

Participation in the survey was weighted towards larger wineries.

One quarter (25%) of the survey respondents produced more than 50,000 cases, while wineries producing under 5000 cases accounted for 26% of the sample.

The smallest winery sizes are therefore under-represented in this survey compared with their estimated share of the wine sector population (66%).

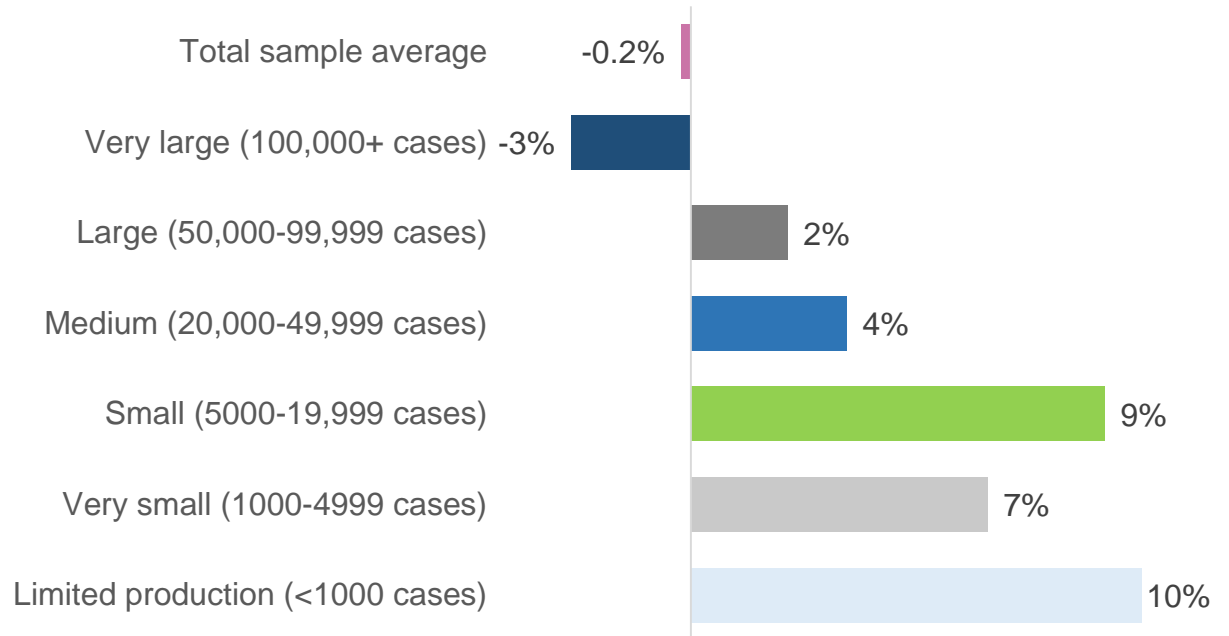




Wine sales benchmarks

Revenue growth by winery size

The survey found strong revenue growth in 2018–19 for most winery size categories, although the overall result was static. The decline in revenue in the large winery size category was largely attributable to bulk wine sales. Given the small sample size, this may not be representative of all wineries, but the result is consistent with a reduced crop size in 2018 making less bulk wine available.

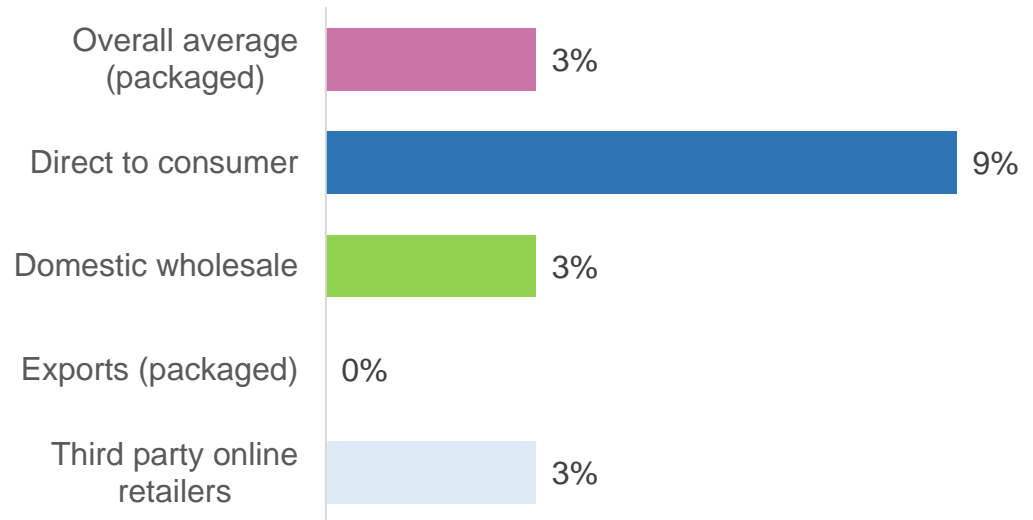


Revenue growth by sales channel

Revenue growth by channel showed the strongest growth to be in the DTC channel.

The survey under-estimates the growth in exports, which was reported in the Wine Australia Export Report for 2018–19 as 3% growth.

The strong growth for smaller wineries (see previous slide) reflects their greater reliance on DTC sales.

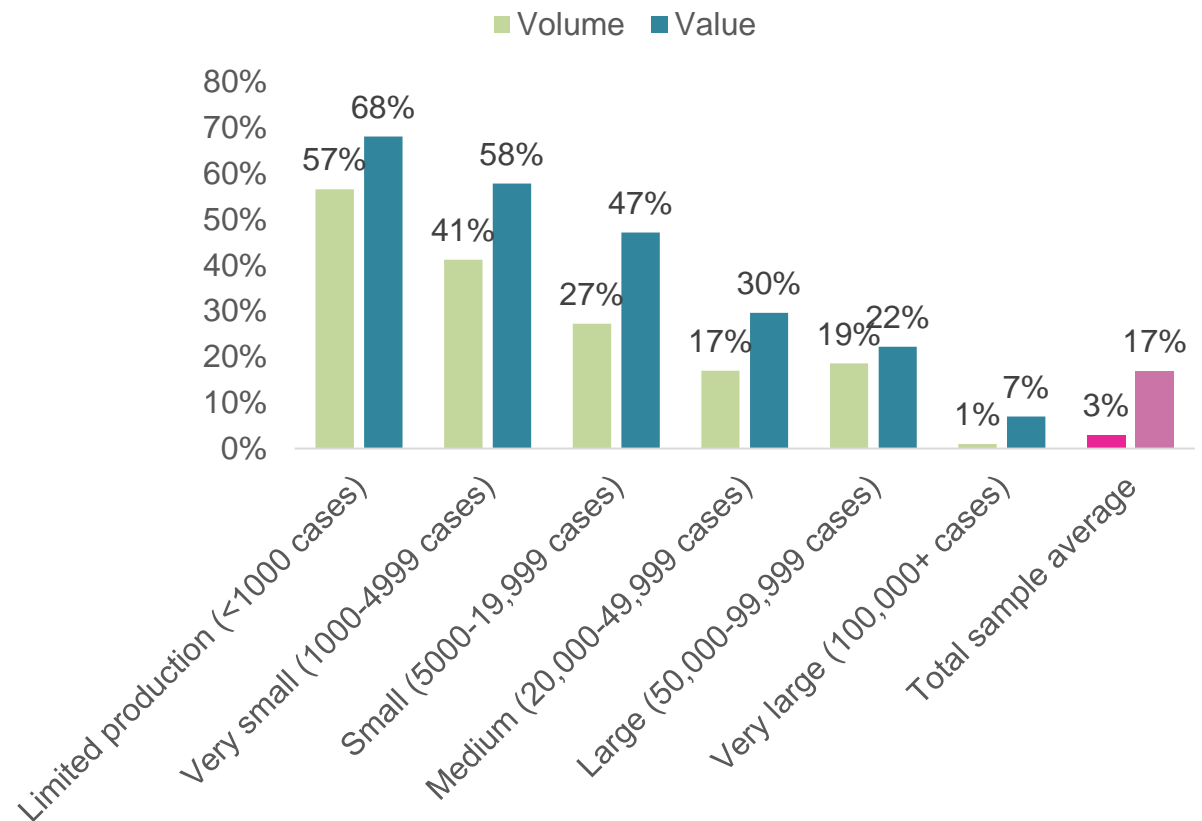


DTC as share of total sales

DTC sales are relatively high value – with value share found to be above volume share across all size categories.

Overall DTC accounted for 17% of all wine sales by value – an estimated \$1 billion.

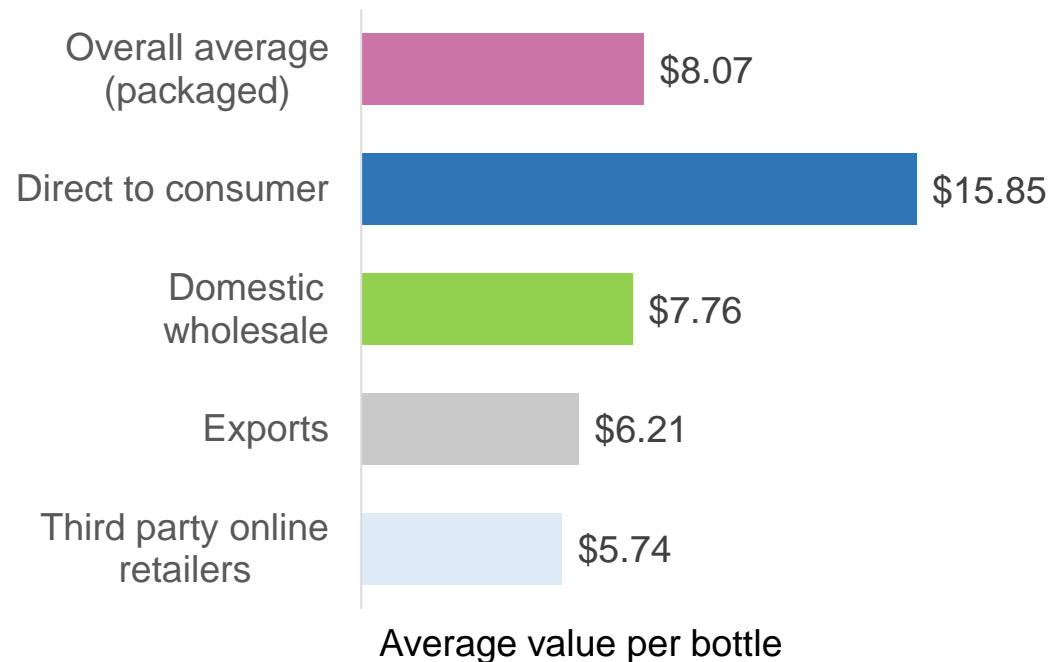
Smaller winery sizes have a stronger reliance on DTC as a share of their total sales, with wineries under 5000 cases deriving more than half their income from DTC sales.



Average revenue per bottle by channel

DTC sales were found to be the highest value for wine businesses across all channels (packaged wine).

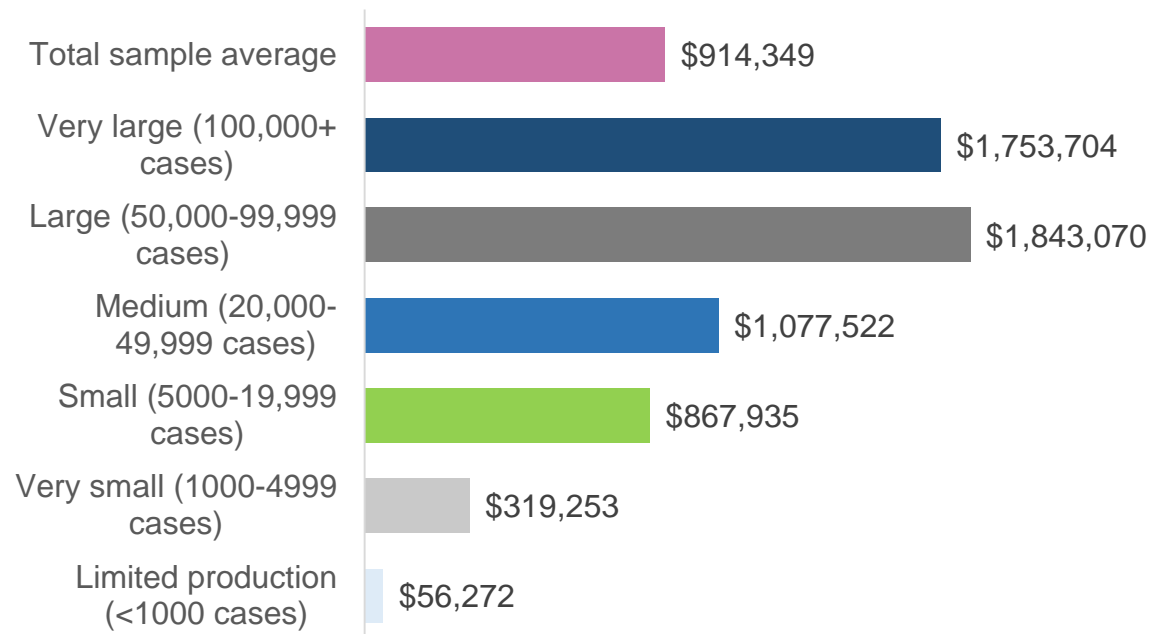
Third party online retail was found to be a relatively low value channel – typically operating as a discount outlet.



Average DTC revenue by winery size

On average across all survey respondents, DTC revenue was just under \$1 million in 2018–19. This amount was significantly higher than was found in the 2017–18 survey – reflecting the higher proportion of larger wineries in the sample.

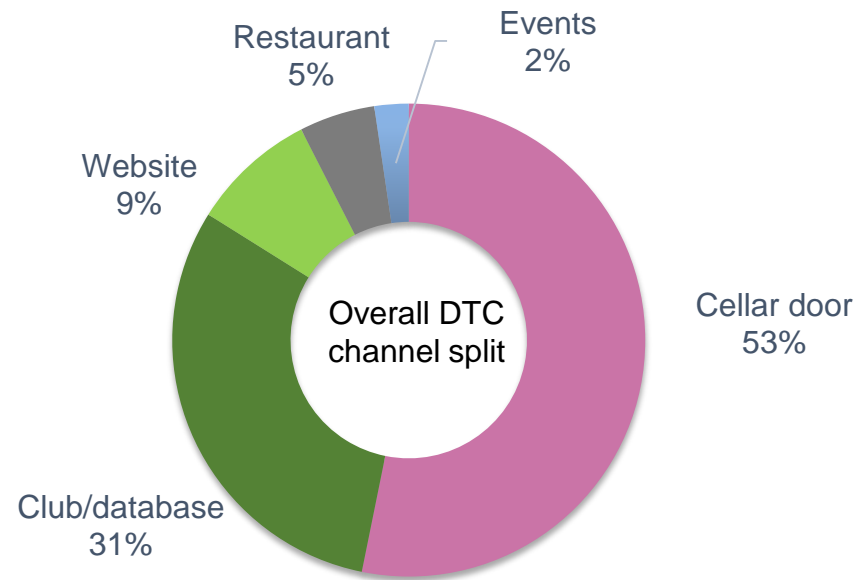
The benchmarks by size category were comparable to 2017-2018 (allowing for 9% growth) except in the smallest and largest size categories.



DTC revenue share by category

Cellar door sales accounted for 53% of DTC revenue in 2018–19, up from 44% in 2017–18. Wine club and database sales also increased: up from 25% to 31% of DTC sales.

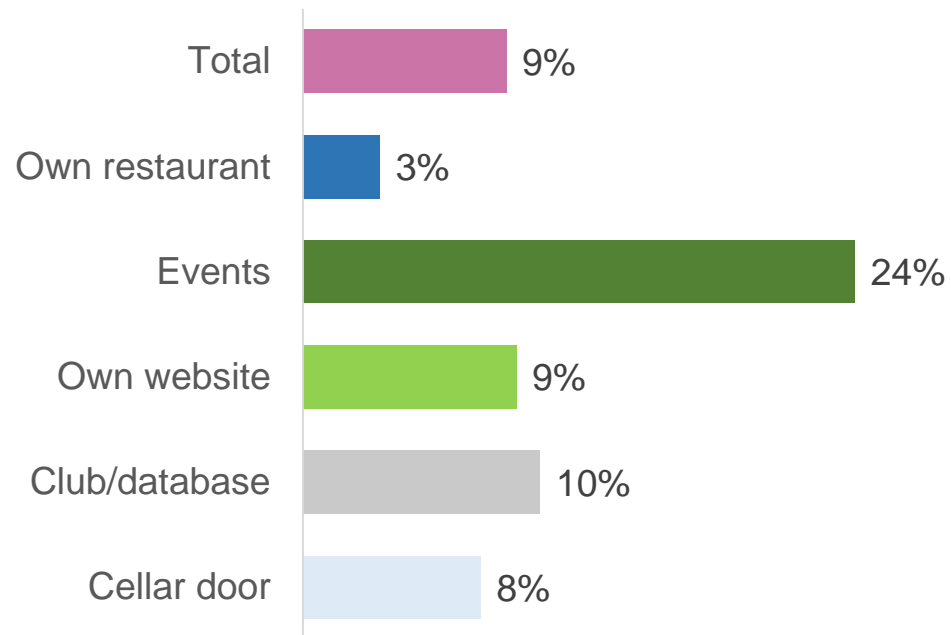
There was an unexpectedly high contribution from sales of wine through 'own restaurant'.



Growth in DTC revenue by category

Overall DTC value growth was 9 per cent in 2018–19, driven by similar growth in cellar door and club/database sales.

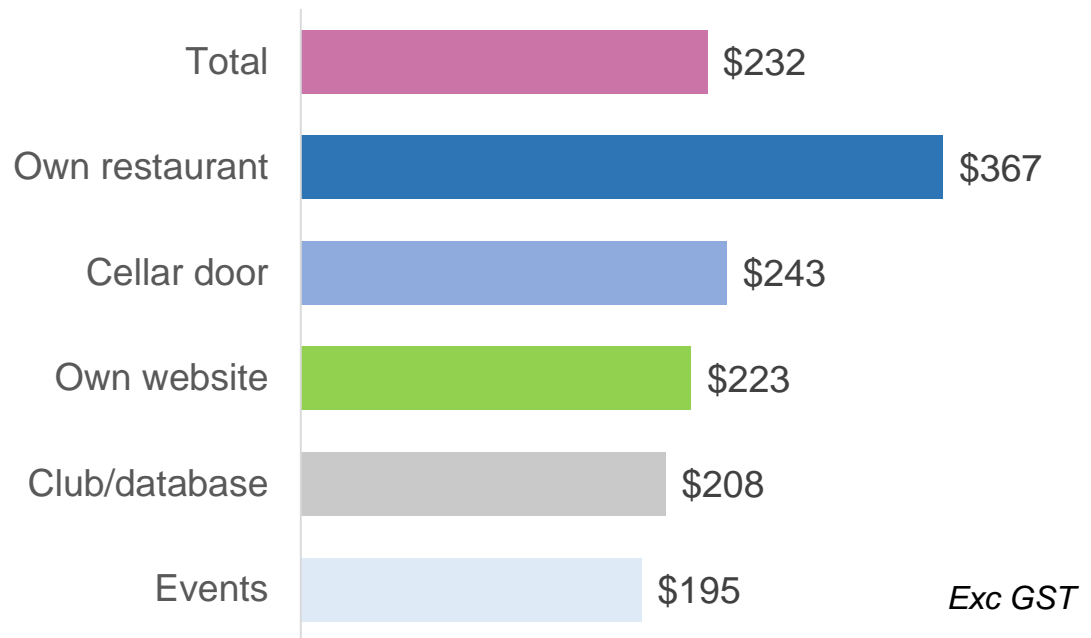
The highest growth rate was for events; however this was from the lowest base.



Average DTC case value by category

The average case value for cellar door sales was 10 per cent higher than for own website and 20 per cent higher than club/ database. However, costs in this channel are also likely to be higher.

Average wine sales value in a winery's own restaurant was more than 50 per cent higher than other categories.





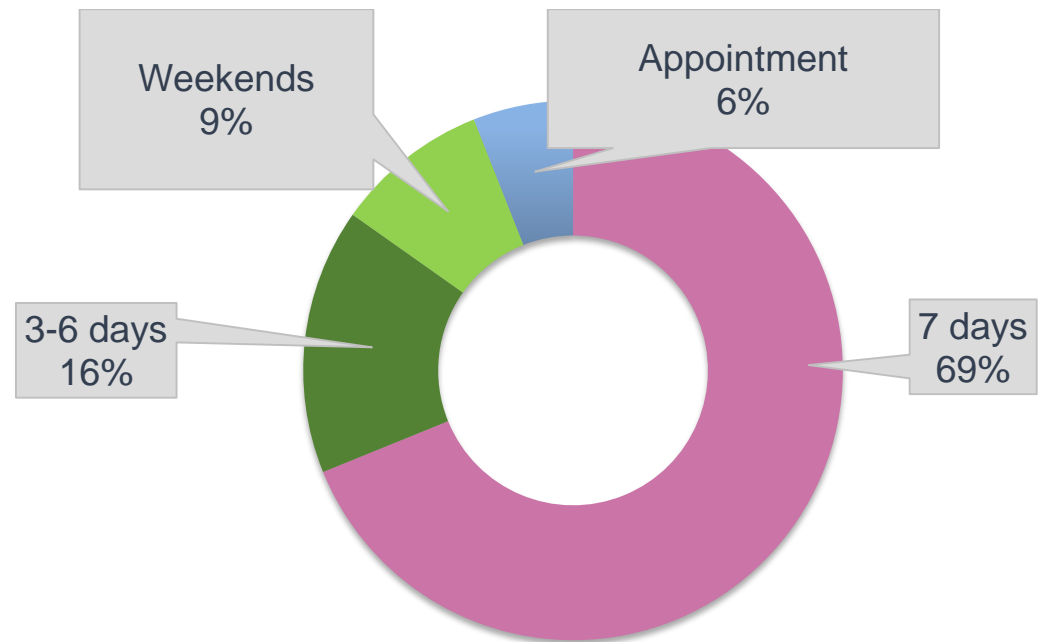
Cellar door benchmarks

Share of cellar doors by days open

The survey found that over two-thirds (69%) of cellar doors are open 7 days.

The percentage of cellar doors open 7 days has increased since the 2018 survey (from 62%).

There seems little uptake in Australia of the 'by appointment' model used increasingly in the USA. This is not simply a less frequent 'on-demand' option for standard tastings, but a different approach of conducting pre-booked, tailored tasting experiences.

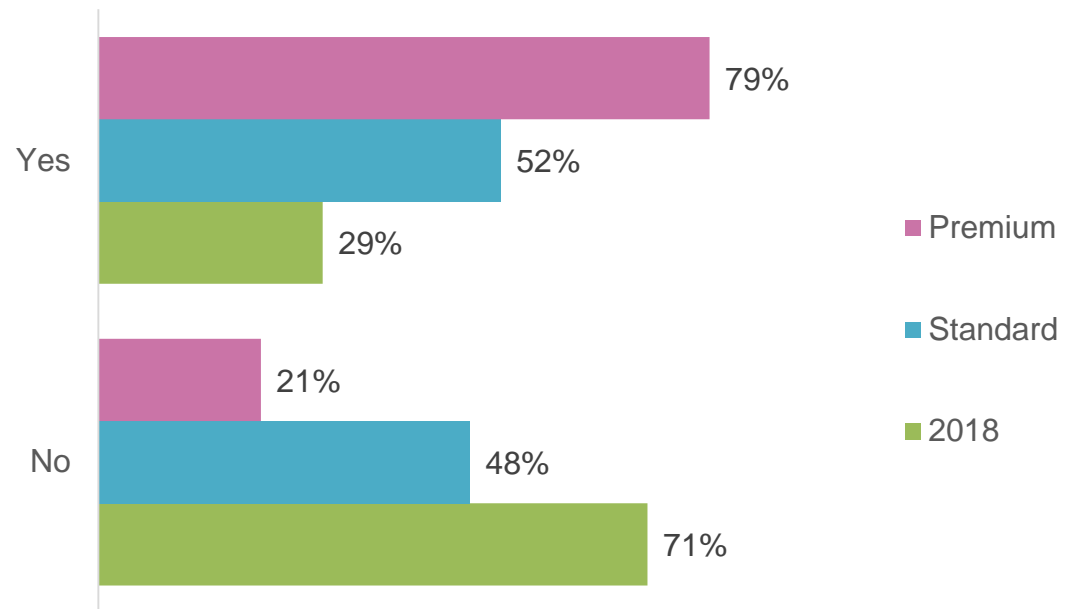


Percentage of wineries charging for tastings

One of the most significant changes from 2017–18 was the increased proportion of wineries charging for standard tastings – up from 29% to 52%.

This suggests a change from treating wine tastings as ‘free product samples’ to considering them a valuable experience in their own right.

Respondents were more likely to charge for premium tastings; however, one in five still did not charge for these.

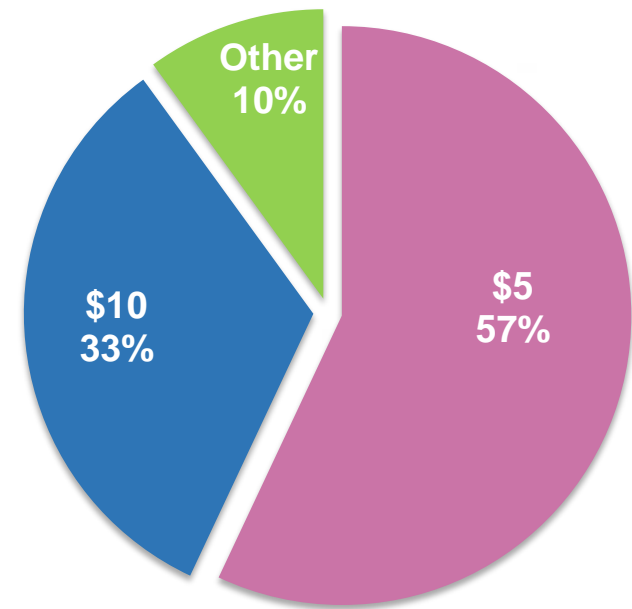


Tasting fees for standard tastings

While more wineries charged for tastings, the amount charged for standard tastings had hardly changed since 2017–18, with 57% of respondents charging \$5 and 33% charging \$10 per person.

This appears to indicate a reluctance among the majority of wineries to charge more than a 'token' amount for a tasting – despite the increasing recognition of the value of charging for the tasting experience.

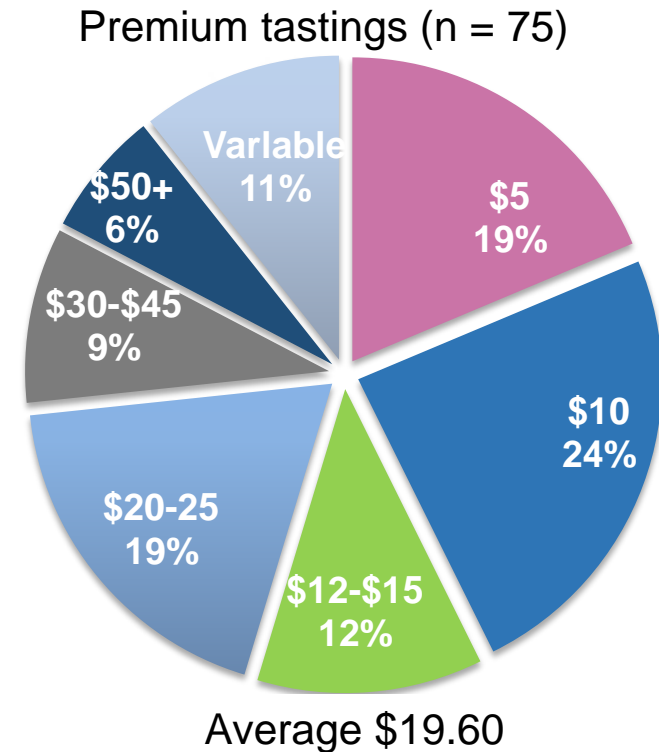
Standard tastings (n = 58)



Average \$7.20

Tasting fees for premium tastings

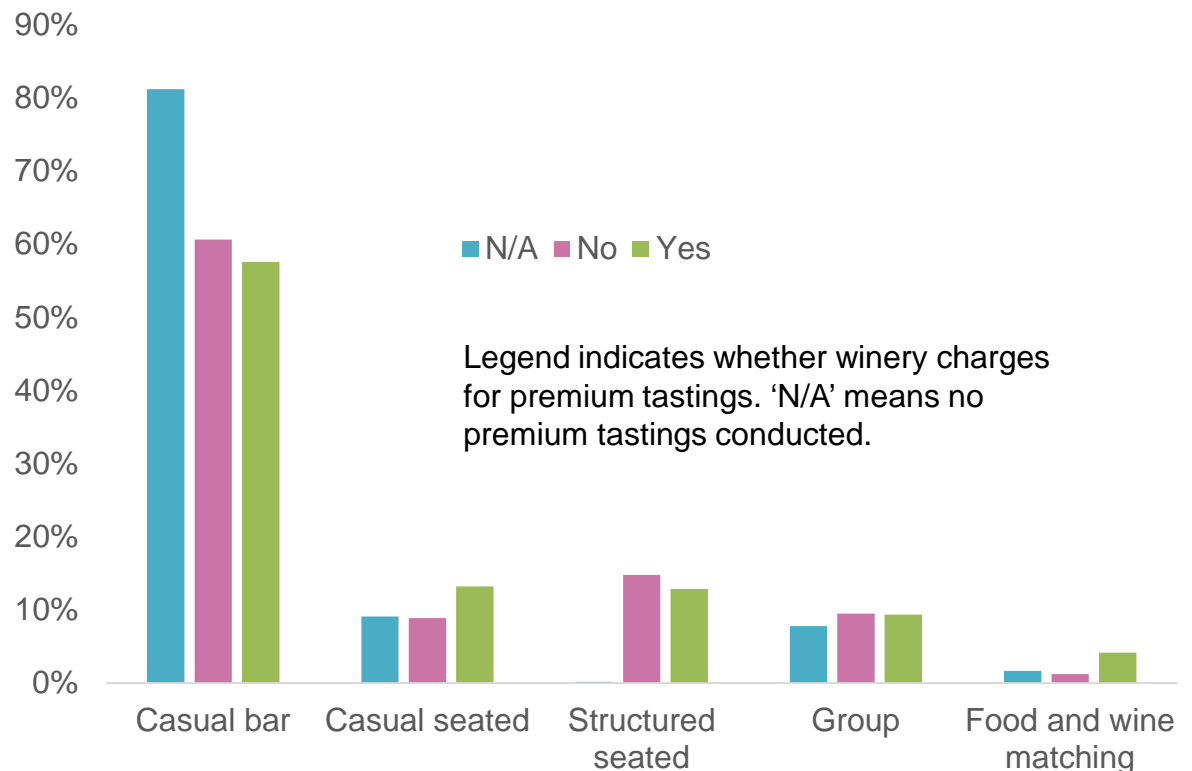
The range of fee options for premium tastings was much larger than for standard tastings, while the average (excluding variable amounts) was nearly three times as high at \$19.60 per person.



Tasting area layouts

Respondents were asked what percentage of tastings they conducted in each of the listed styles. Those wineries that conducted premium tastings had a smaller share of their tastings conducted at the bar. Those that charged for premium tastings had a higher share of tastings nominated as 'casual seated'.

A very small percentage of tastings overall was dedicated to food and wine matching.

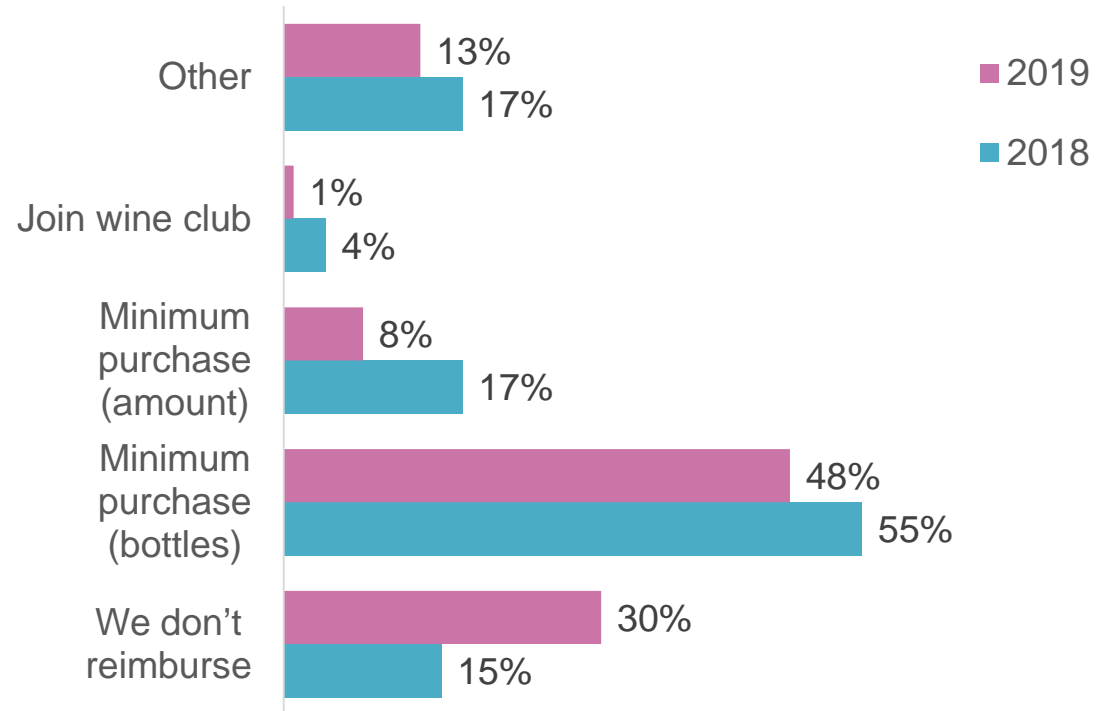


Requirements for reimbursement

The survey found that reimbursement of tasting fees was still predominantly based on a minimum number of bottles purchased.

However, the proportion of wineries not reimbursing tasting fees has greatly increased since 2017-2018.

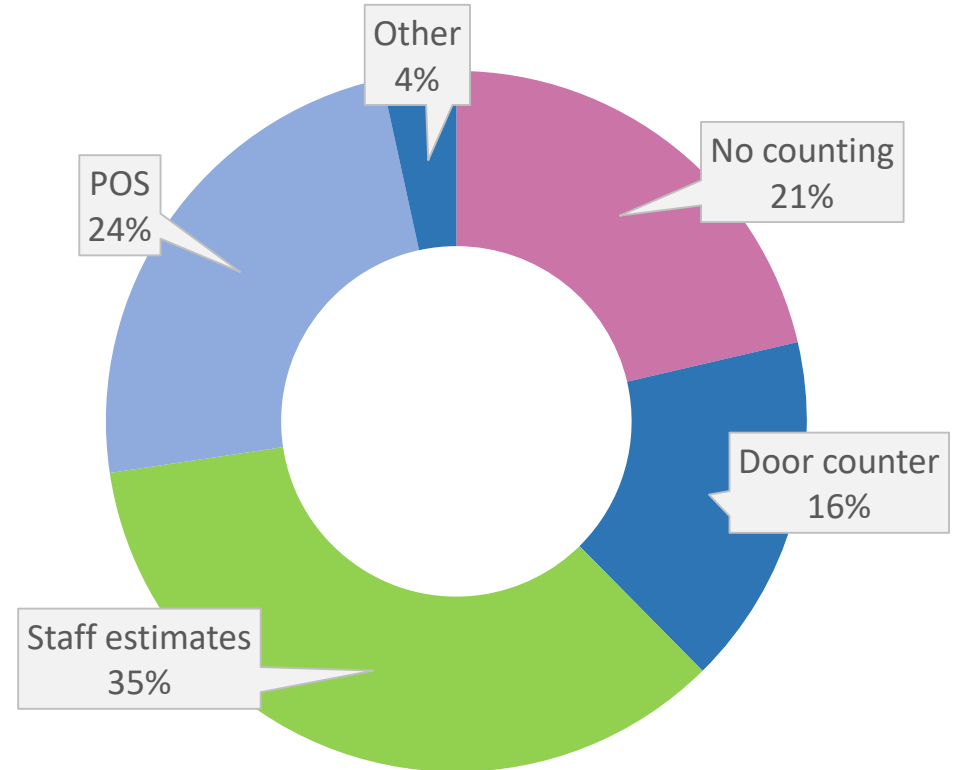
Of those who described their minimum requirement for reimbursement, 67% nominated a single bottle purchase and another 13% nominated 'any purchase'.



Counting visitor numbers

The survey found that the majority of respondents counted visitors, using a variety of different methods. There was a high reliance on the manual method of staff estimates, while some using the POS system noted that they estimated visitors by multiplying the number of sales by a factor – but this factor was not standard.

Visitor numbers are the basis of a number of key metrics for businesses including conversion rates to sales and to wine club members.



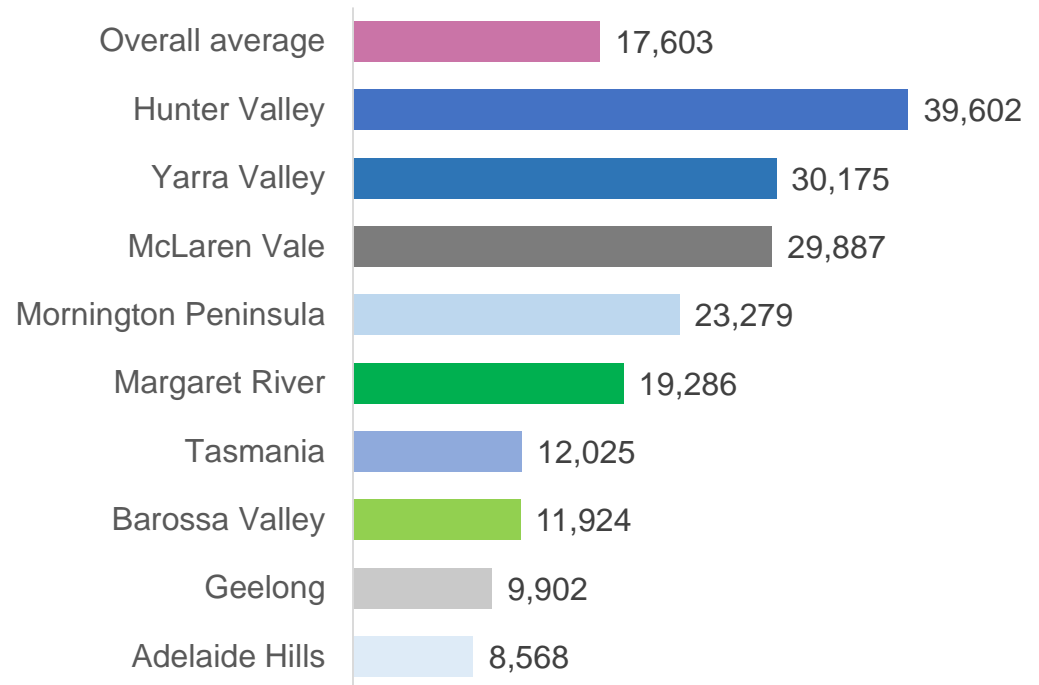
Annual visitor numbers to wineries

Across all respondents, the average number of visitors in 2018–19 was 17,603.

This number is consistent with the overall figure reported in the 2018 survey, (15,935), allowing for the higher proportion of larger wineries in the sample.

There was virtually no growth reported in average visitor numbers year-on-year.

The chart shows average annual numbers of visitors per winery by region for regions with a minimum of 5 responses.



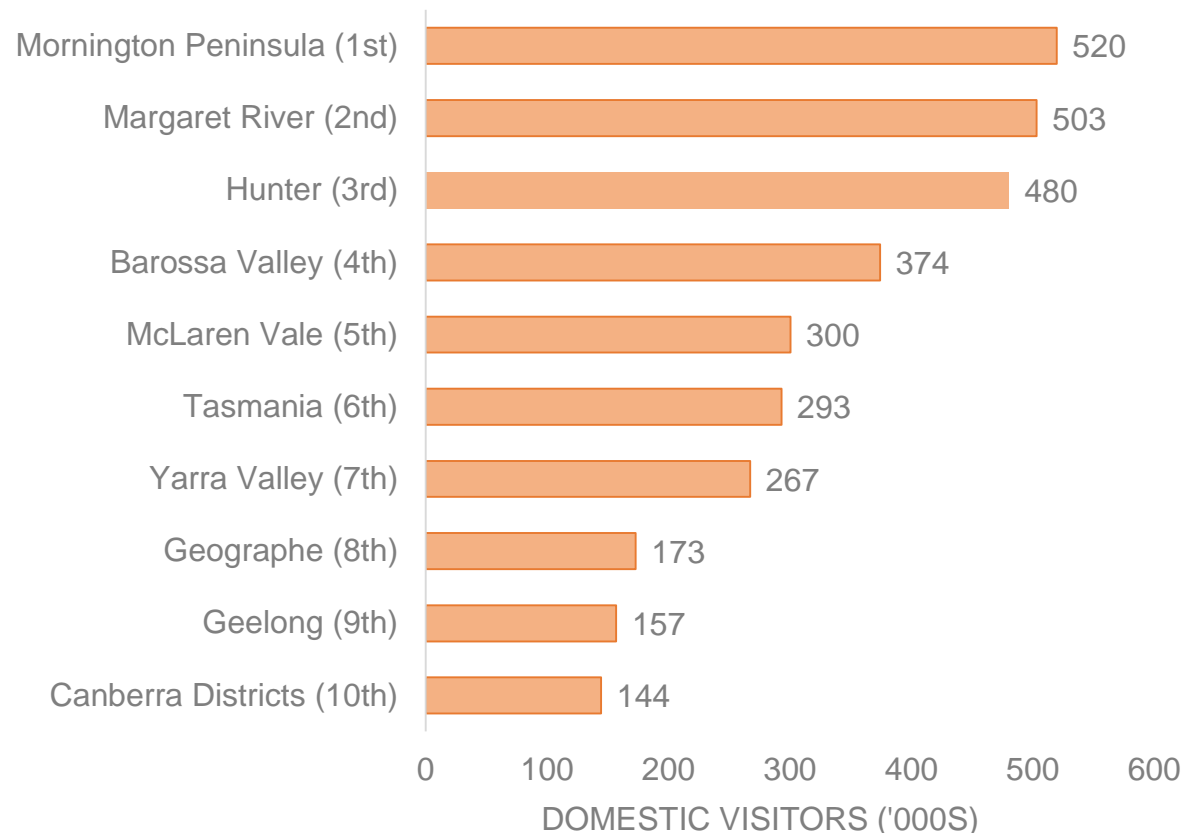
Visitors to wineries: another angle

By comparison, this chart shows the total number of domestic tourists who reported visiting at least one winery in 2019 (YE March).

The total across all wine regions was 8 million, with a total spend of \$9 billion.

Growth in the latest 12 months was 2%.

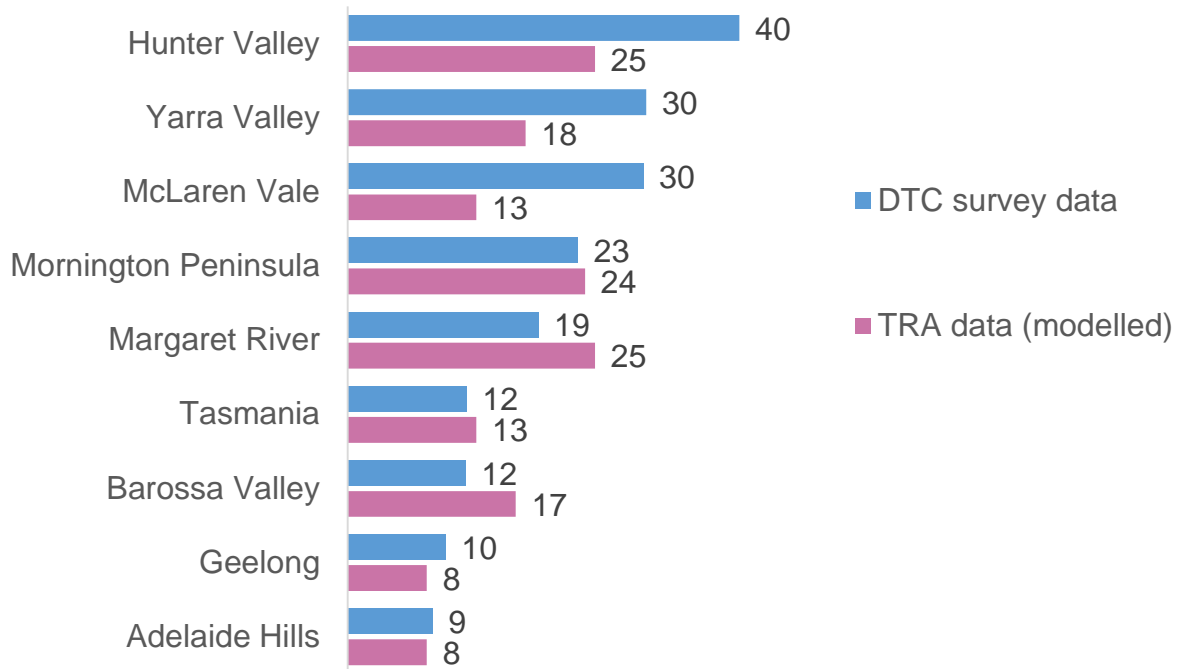
Source: Tourism Research Australia (TRA) data



Comparison of visitor statistics

Modelling of TRA data shows a good correspondence in most regions between the reported numbers in the survey and tourism research figures.

The modelling is based on adding domestic and international tourist numbers and assuming every visitor visits 4 wineries per region and there are 100 wineries in each region.



Annual visitor numbers per winery in 000s (estimated)

Wine clubs and databases



Collection of email addresses at the cellar door

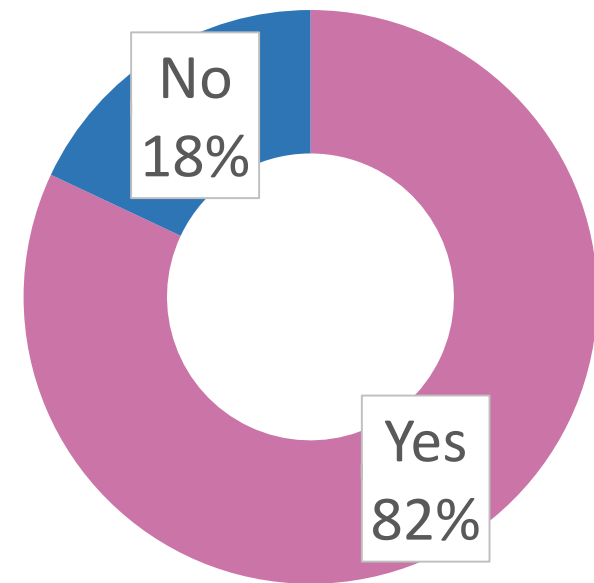
The overwhelming majority (82%) of survey respondents reported that they collect email addresses at the cellar door.

However, the comments added to their responses indicated that in fact:

- many people only collect addresses if the customer joins the wine club
- collection attempts are not always successful
- most respondents think that they could collect email addresses more effectively.

Collecting email addresses is important, but needs to be part of an overall strategy for developing meaningful customer relationships. Unqualified sign-ups or poorly targeted emails will lead to a high bounce rate for communications.

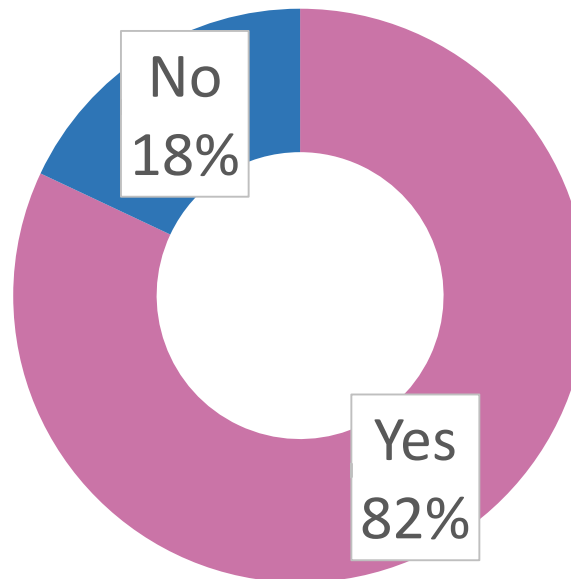
Do you collect email addresses at the cellar door?



Collection of email addresses at the cellar door - comments

NO (18%)

'Only if they join up as a member'
'Only if they subscribe to mailing list'
'However new POS due soon'
'I haven't worked out how to do this without being intrusive'
'We need to'



YES (82%)

'If they join the mailing list'
'If possible'
'We try to'
'Only on a casual basis'
'Only about 20% give them'
'But not well enough'

Club membership statistics

Survey results	Average members in 2019	Attrition rate	Net growth rate
Limited production (<1000 cases)	224	11%	2%
Very small (1000-4999 cases)	396	12%	31%
Small (5000-19,999 cases)	1547	23%	23%
Medium (20,000-49,999 cases)	1794	9%	11%
Large (50,000-99,999 cases)	5965	4%	32%
Very large (100,000+ cases)	3316	6%	22%
Total sample average	2177	9%	24%

Club membership statistics vs USA

The club membership statistics derived from the survey compare favourably with those of the USA (Silicon Valley bank survey 2019). While the new sign-up rate is higher for USA wineries, this is countered by a higher attrition rate, reflecting less qualified sign-ups being obtained.

Only 27% of Australian wineries (based on survey responses) have an incentive program in place for wine club sign-ups. This compares with 64% of wineries in the USA in 2017 (likely to be higher now). However, the comparison shown here suggests that an incentive program may not result in better long term growth or retention rates.

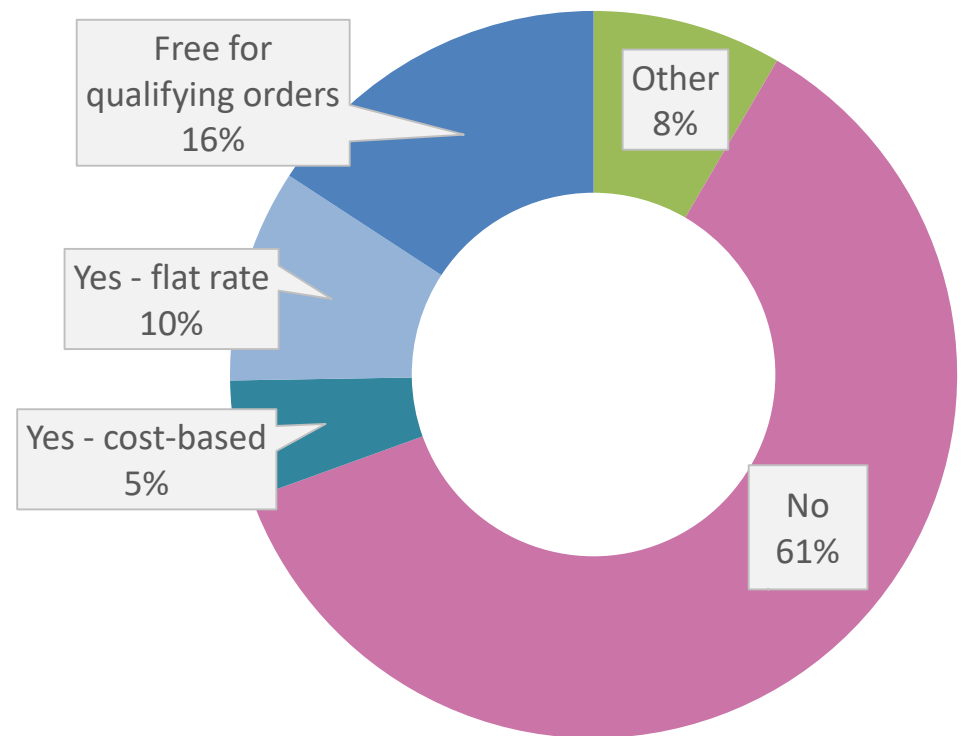
	Australia	USA
Average club size	2177	1684
Growth rate	33%	42%
Attrition rate	9%	20%
Net growth rate	24%	15%

Charging for freight to club members

The survey found that 61% of wineries did not charge freight for club members.

Only 16% provided free freight as an incentive for achieving a certain level – eg larger orders or higher tier wine clubs. This is considered to be an effective strategy for increasing the value of sales to club members (or wherever freight is required).

Do you charge freight for club members?

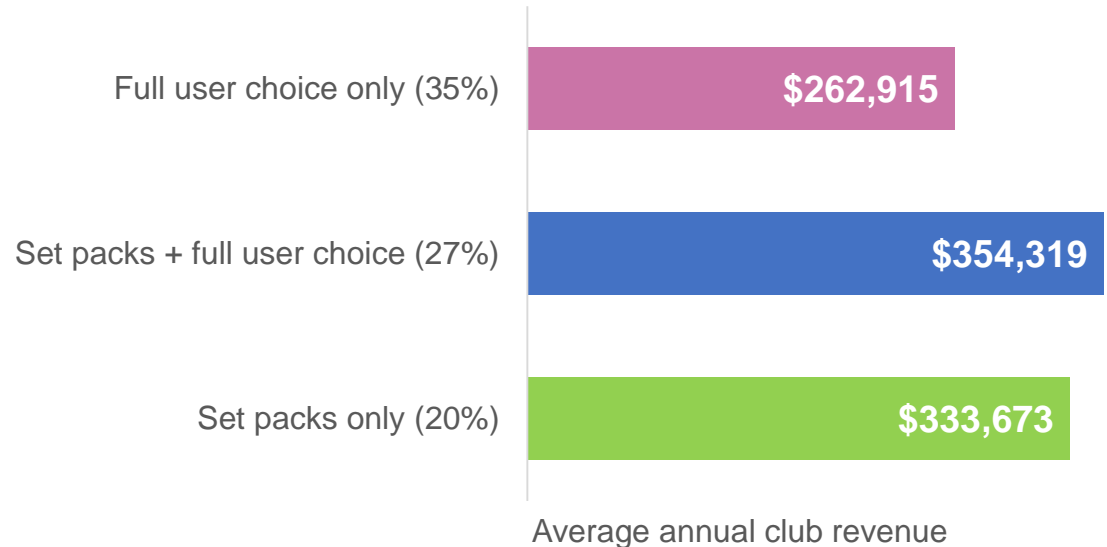


Effectiveness of various club offerings

The survey found that 82% of wine clubs offered one of these three combinations, with the most popular being full user choice only (35%).

Based on average wine club income for the different options, the chart shows that full user choice does not necessarily generate the most income.

Overall average income per member was found to be \$184 per annum – or less than one case.



Effectiveness of conversion from visitor to club member

The average number of new wine club sign-ups in 2018–19 across all survey respondents was 572. This gives an average conversion rate of 3% from cellar door visitors to club members.

NB This figure assumes all sign-ups occur at the cellar door, which may not be correct. Therefore it may over-estimate the conversion rate from cellar door visitors.



Relatively small increases in conversion rate can result in significant increases in revenue. For example, an increase from a 3% to a 5% conversion rate for an average winery (based on survey statistics) would result in a 20% increase in wine club revenue.

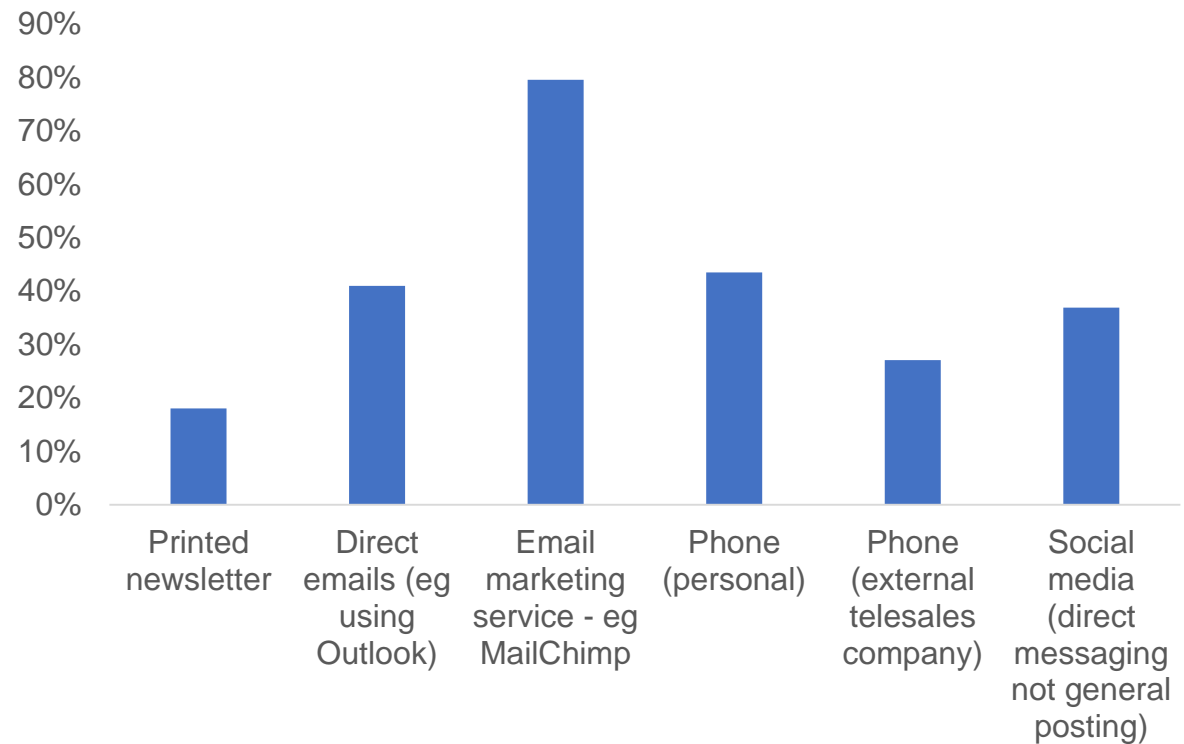


Communications and customer relationship management

Methods of communication

The survey found that 80% of wineries use an email marketing service to communicate with their customers. Personal phone calls featured strongly, with nearly half the respondents using this communication method.

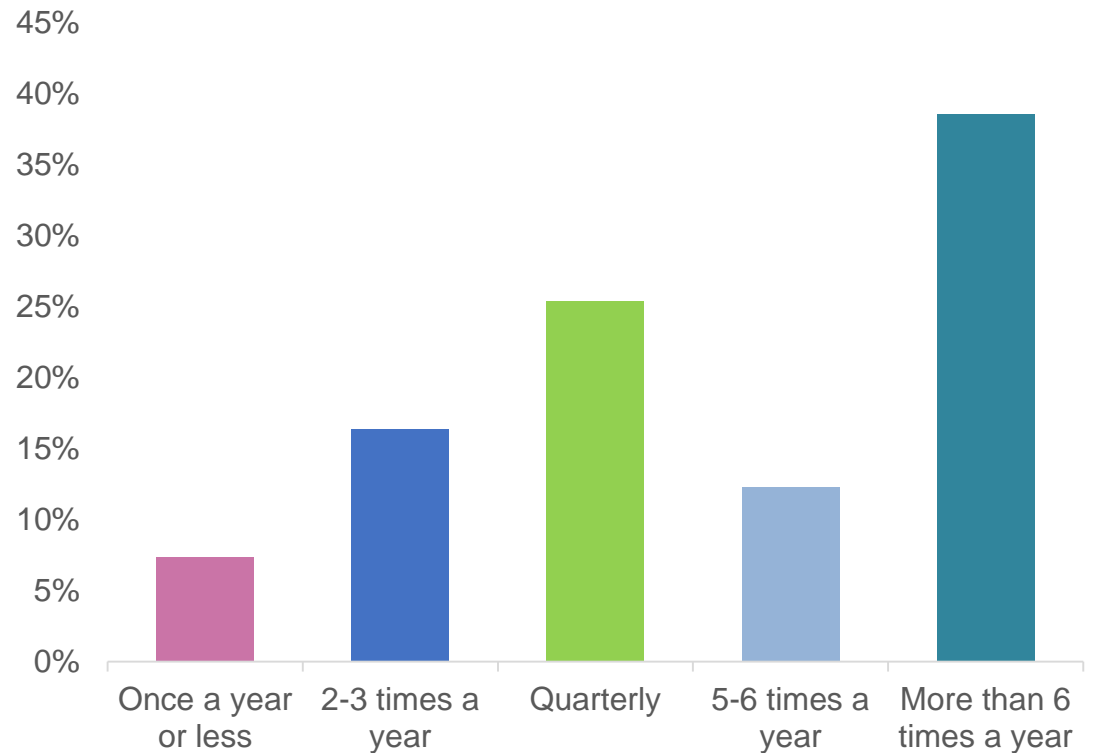
There has been an apparent decline in direct email, which decreased from 84% in the 2017–18 survey to 41% in the 2018–19 survey.



Frequency of communication

The most common response to the question 'How often do you communicate with your customers?' was 'More than 6 times a year'.

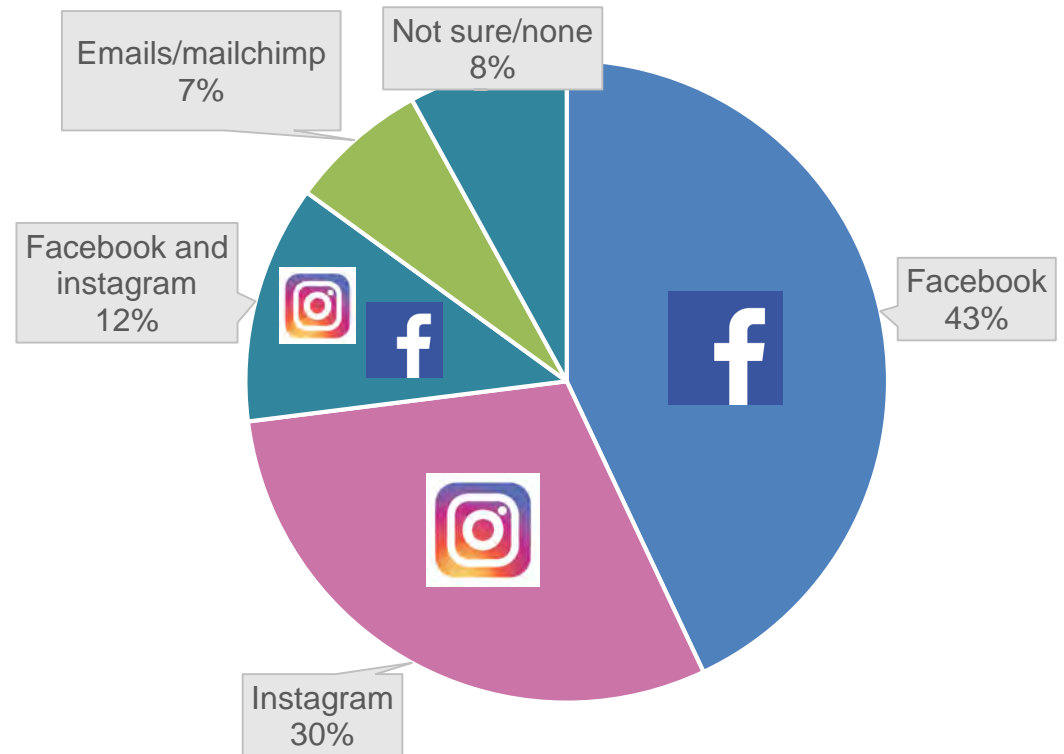
More than three-quarters of respondents were communicating with their customers at least quarterly.



Most useful social media for DTC

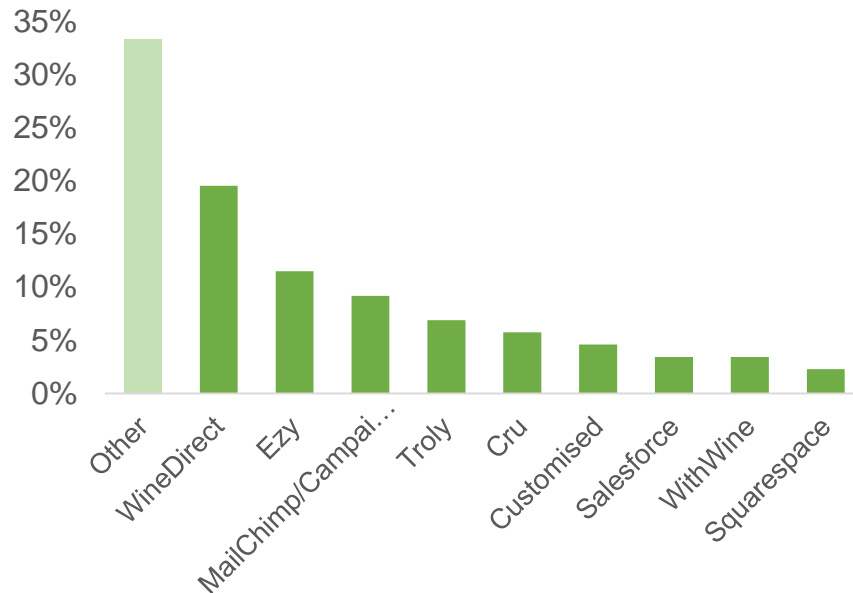
Respondents were asked which social media platform was most useful for their DTC business (not marketing).

Facebook came out on top, with Instagram a close second and the combination of the two third. There was no mention of any other social media platform except one mention of LinkedIn (in combination with the others).

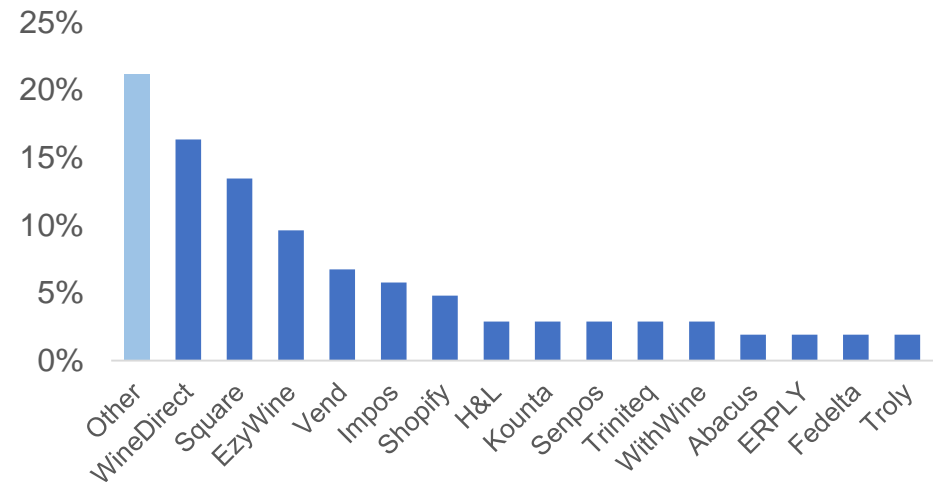


Use of software for DTC business

What software do you use for CRM?



What POS system do you use?



Over two-thirds of survey respondents (69%) said they use a CRM system for managing customer records. There was a wide mix of software systems nominated, with only WineDirect and EzyWine receiving more than 10% of nominations.

For POS systems there was an even wider range of options chosen, with WineDirect, Square and EzyWine being the most popular.

Success factors and barriers

Success factors

- Cellar door
- Good communication / customer service / relationships with customers
- Staff
- A good CRM
- Website
- Wine club
- Reinvigorated newsletter
- Our wines / our story
- Capturing details at the cellar door
- Training staff and managers
- Exclusive offers, events
- Wine awards

Barriers

- Competition from other wineries
- Declining tourist numbers
- Technology issues: lack of support, fragmentation
- Lack of resources (esp. time)
- Economic headwinds
- Lack of capital
- Reduced consumer spending and increased price sensitivity ('I can get it cheaper at Dan's')
- Logistics of overseas delivery



58% of respondents had a dedicated person responsible for DTC marketing

Key takeaways

- DTC is a high value sales channel that is driving solid growth in revenue for wine businesses
- Cellar door is at the heart of DTC sales
- DTC potential is being recognised but not fully realised – with potential to increase conversion rates from visitors to club members and increase charges for premium tastings
- Benchmarks provide a valuable starting point for developing and evaluating strategies to build DTC sales.



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