



2022

DIRECT TO CONSUMER

Wine Shipping Report

2021 YEAR IN REVIEW

SOVOS
ShipCompliant



WINES VINES
ANALYTICS

DIRECT-TO-CONSUMER WINE SHIPPING IN 2021

A year of recovery and return to normalcy in the channel

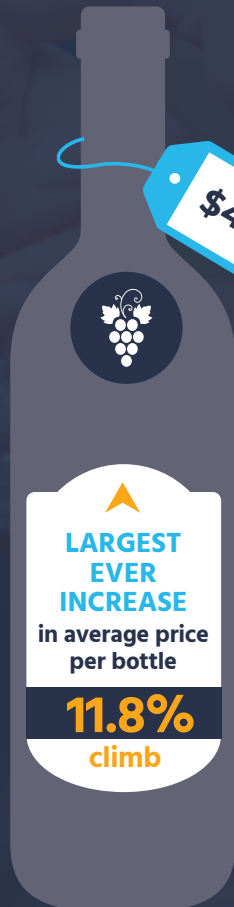


Value breaks \$4B

\$4.2B shipped
+13.4%

Smallest ever YoY
volume change

+1.4% to
8.5M cases



\$41.16

**LARGEST
EVER
INCREASE**

in average price
per bottle

11.8%
climb

Oregon boom
continues →

Napa bounces
back →



+18.7% Value
+12.9% Volume
+5.1% APB

+18.8% Value
+4.1% Volume
+14.1% APB

Limited Size wineries outperform



+26.8%

in average price per bottle shipped
for Limited Size* wineries

*Up to 999 cases produced annually

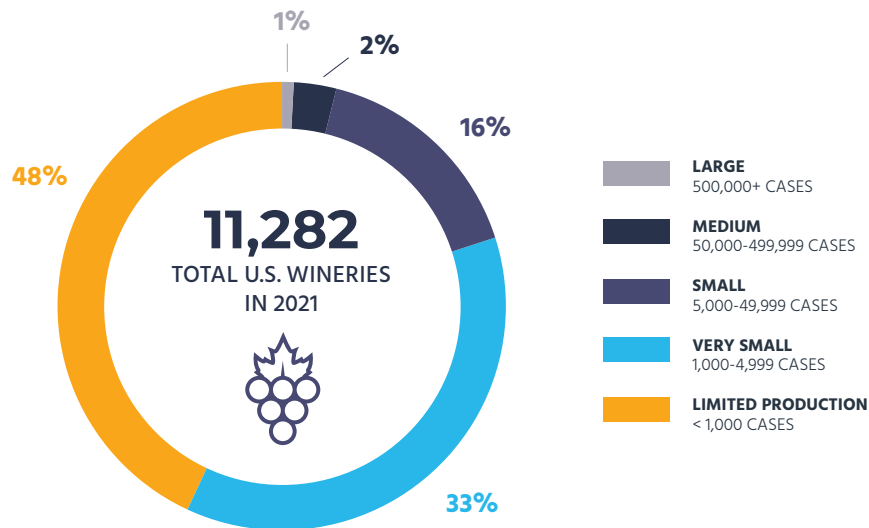
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Creation of the DtC Report

This report is an annual collaboration between Sovos ShipCompliant and Wines Vines Analytics. It analyzes anonymized, detailed direct-to-consumer (DtC) shipment data from more than 1,300 U.S. wineries to consumers each month, totaling more than 42+ million shipments over the course of the year in 2021. Employing the Wines Vines 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 11,000+ wineries updated monthly by Wines Vines 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

The winery DtC shipping channel experienced a recovery in 2021 and a transition back to relative normalcy. In fact, 2021 looks a good deal like what we would have expected it to look like had the pandemic never happened. But this new normal is one that includes new buyers who entered the DtC channel in 2020, as well as an even greater willingness of American wine drinkers to receive wine via direct shipment than in years prior to the COVID-19 pandemic.

Most significantly, the value of the DtC shipping channel increased 13.4% in 2021, putting total shipments over the \$4 billion mark for the first time. The \$4.2 billion in wine shipped by U.S. wineries in 2021 was a result of the largest ever year-over-year increase in the average price per bottle shipped, climbing 11.8% over 2020 to \$41.16 per bottle. It is, however, important to keep in mind that this large increase in the average price per bottle comes on the heels of a 9.5% decrease in average bottle price in 2020, when new entrants to the DtC channel tended to purchase relatively less expensive wines and wineries were also offering unusually large discounts, which were tapered back in 2021.

Meanwhile, the volume (9L cases) of winery DtC shipments increased by a mere 1.4%, the smallest year-over-year increase ever noted in the 12 years this report has been issued. But again, this is a reflection of a return to normalcy after a 2020 that saw an unheard of 27.0% increase in volume. The relatively flat year-over-year increase in volume reflected a population of American wine drinkers, including new 2020 buyers, who pulled back from their heightened 2020 purchases as they became far more comfortable visiting wineries in person, returning to buying wine at grocery and liquor stores, and imbibing at restaurants rather than at home—all of which resulted in a return to typical levels of DtC shipments, particularly as the year wore on.

From 2012 to 2019, the average year-over-year increase in the value and volume of DtC shipments was 12% and 11% respectively. If the COVID-19 pandemic had never happened and historical average changes in winery shipping occurred in 2020 and 2021, the winery DtC shipping channel would essentially find itself almost exactly where it is today. In fact, the total value and total volume of shipments in 2021 were up only 2% and 1% more than we would have expected had the last two years mirrored the pace of change we saw in the DtC channel over the previous eight years.

In 2021, we saw a price recovery in DtC, combined with a pullback in the number of new buyers entering the channel from 2020. However, it appears that the number of new buyers in 2021 was still higher than in past years. This can likely be attributed to both a change in behavior among American wine consumers and wineries more effectively making sales in the digital realm.

Overview (Cont'd)

Many have wondered to what extent the number of new 2020 entrants into the DtC shipping channel stayed active in 2021. Were those new buyers just toe-dippers or did they continue to receive wine via shipment even as many restrictions lifted and the economy opened up? The answer is that they largely stayed in the channel, providing a significant boost to winery DtC shipments. According to historical Sovos ShipCompliant customer data, nearly the same number of new 2020 buyers remained in the DtC channel in 2021 as new buyers in past years have. This helps account for the increase in volume in 2021 even when the number of new buyers was significantly reduced from 2020.

Finally, in 2021 winery shipments represented 12% of total off-premise sales of domestic wines in the United States. According to Jon Moramarco, managing partner at bw166, total estimated off-premise sales of domestic table and sparkling wines were \$34.8 billion dollars, including the \$4.2 billion shipped direct-to-consumer. This is the largest percentage of off-premise sales ever captured by the DtC channel and represents an increase from 10% in 2020. Importantly, winery direct sales, including both wine shipped and wine carried out from the tasting room, would represent an even larger share of off-premise sales of domestic wines.





2021 Highlights

2021 marks a year of recovery and return to normalcy in the winery DtC shipping channel

After the pandemic year of 2020, which saw huge spikes in new online buyers, a plunge in bottle price and extraordinary increases in volume, 2021 represented a return to normalcy. In fact, it looked a lot like 2019.

Value of shipments breaks the \$4 billion mark

For the first time, the value of the winery DtC shipping channel broke the \$4 billion mark, coming in at \$4.2 billion. The increase in value was driven by an unprecedented 11.8% increase in average price per bottle on 8.5 million cases shipped from American wineries.

Smallest year-over-year change in volume in the history of this report

After a year when volumes soared, 2021 unsurprisingly saw the smallest year-over-year gain in volume of shipments in the winery DtC shipping channel. The 1.4% increase in volume, however, still looks impressive against the huge gains that came in 2020.

The 11.8% increase in price per bottle shipped is the largest yearly increase ever

Average price per bottle shipped in 2021 jumped a record 11.8% to \$41.16 over 2020's \$36.83 average bottle price. The record year-over-year jump also brought the average price to its highest mark since this report was first published more than a decade ago.

Smaller wineries perform best in a reversal from 2020

Wineries producing fewer cases annually, and with higher average bottle prices, enjoyed larger increases in shipping value in 2021. The larger wineries with their lower price points saw smaller value gains. This is a reversal of trends in 2020.

Napa wineries see strong rebound from 2020

Napa wineries made huge gains in both price per bottle shipped and the total value of wines shipped in 2021 after experiencing modest growth in 2020. Even the region's volume increase over 2020 was double the DtC channel's 2021 volume increase.

Oregon's multi-year boom in shipments continues in 2021

Oregon wineries, with their 12.9% year-over-year increase in volume and 18.7% increase in value of shipments, outperformed all other regions tracked in 2021. Oregon wineries received an average of \$42.45 for every bottle shipped primarily on the strength of Pinot Noir shipments.

Kentucky breaks out in 2021 following DtC shipping law in 2020

With a new law that went into effect in December 2020, Kentucky residents took advantage of their newfound freedom by increasing the volume of shipments to the state by 244.8% over 2020. Kentucky landed at 39th on the list of most shipped-to states

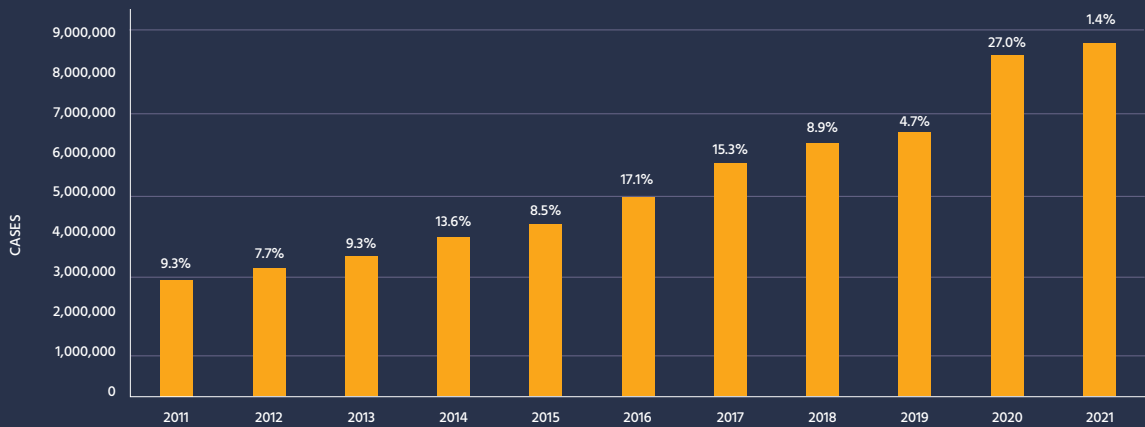
Winery shipments capture 12% of off-premise sales of domestic wines

Winery shipments represented their highest ever share of sales of off-premise domestic wines since this report was first published, jumping to 12% in 2021 from 10% in 2020.

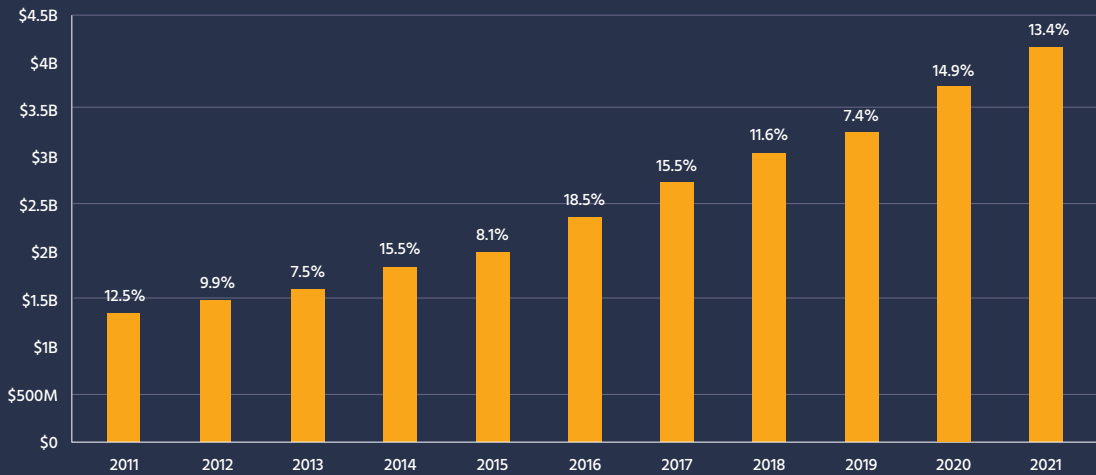
A note about analysis in the 2022 report

In past years, the primary focus of data analysis in this Direct-to-Consumer Wine Shipping Report has been year-over-year changes in winery DtC shipping, with less attention paid to long-term trends. In this report, it was necessary to compare 2021 shipping data to 2019 as well as 2020 in order to get a sense of the degree to which the winery DtC shipping market had recovered from the historic impact COVID-19 had on the channel in 2020.

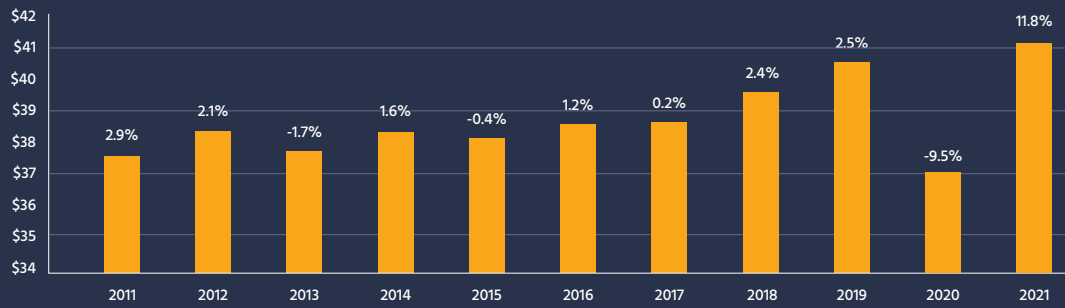
VOLUME OF SHIPMENTS WITH ANNUAL VOLUME GROWTH 2011-2021



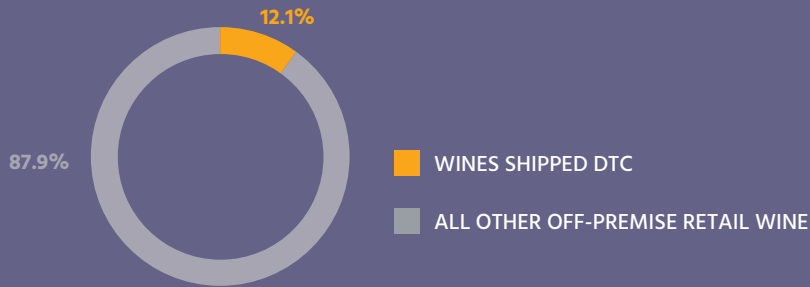
VALUE OF SHIPMENTS WITH ANNUAL VALUE GROWTH 2011-2021



AVERAGE PRICE PER BOTTLE SHIPPED 2011-2021



DTC as a percent of total off-premise sales of domestically made wines

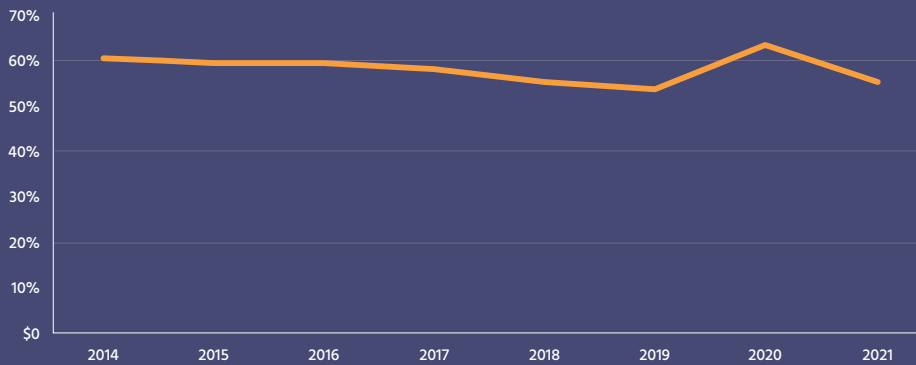


First-time buyers

First-time buyers in the winery DTC shipping channel are critical to the growth of the industry. According to internal customer data from Sovos ShipCompliant, the percentage of new entrants to the DTC channel hovers between 50% and 60% of all buyers. That share was 53.7% in 2019 and grew to 63.5% in 2020.

As for how the large cohort of 2020's new buyers behaved in 2021, it appears that wineries' retention of new buyers was nearly the same as in past years. 2020's new buyers stayed in the DTC shipping channel in 2021.

FIRST-TIME BUYERS AS A PERCENT OF TOTAL BUYERS 2014-2021





2021

Month-by-Month Analysis

Winery DtC shipping in the first months of 2021 looked very much like most of 2020, when new buyers began ordering from wineries and established buyers bought even more than normal. January and February both saw steep year-over-year declines in average price per bottle shipped and significant increases in the volume and value of shipments. These DtC shipping volume and value increases in the first two months of 2021 reflected the fact that January and February of 2020 had not been impacted yet by the pandemic.

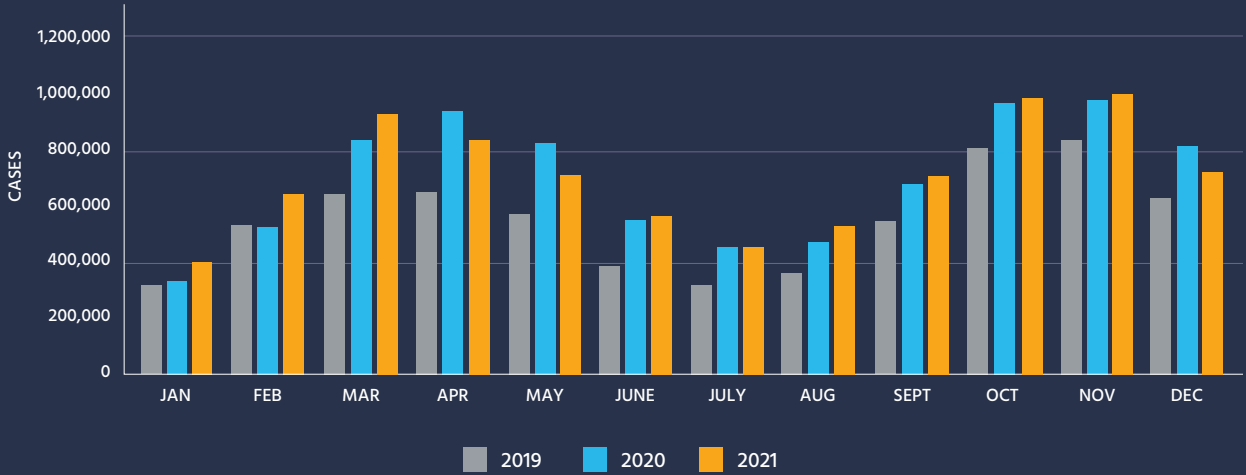
Beginning in March, a different story emerges. COVID-19 vaccines had been in distribution for nearly three months. In Napa and Sonoma counties, as well as other regions of the country, some restrictions on restaurants and winery visitations had been lifted. In turn, for the first time in 12 months, there was an increase in average price per bottle shipped in March 2021.

With a more widespread return to normalcy, April saw a considerable year-over-year increase in average price per bottle shipped, as fewer consumers turned to the winery DtC shipping channel to procure less expensive wines to drink at home and instead returned to eating and drinking out and visiting wineries in person. In fact, April 2021 looks a good deal like April 2019.

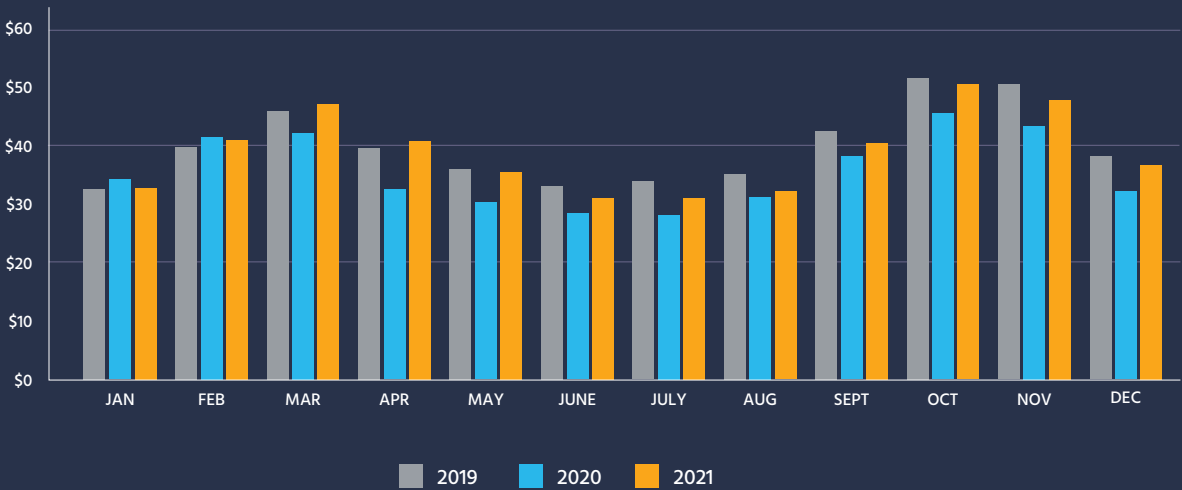
The rest of 2021 follows the same pattern begun in March and solidified in April: significant increases in average price per bottle shipped as winery discounting waned and relatively small year-over-year increases in volume of wine shipped. December bucked this trend however, recording a notable decrease in the volume of shipments over 2020.

Through all of this tumult and recovery, the well-established patterns of winery DtC shipments remained in place. Spring and fall saw increased volumes of shipments due to weather and the timing of club shipments, while winter and summer shipping declined in volume.

VOLUME OF SHIPMENTS BY MONTH, 2019-2021



AVERAGE PRICE/BOTTLE SHIPPED BY MONTH, 2019-2021





2021

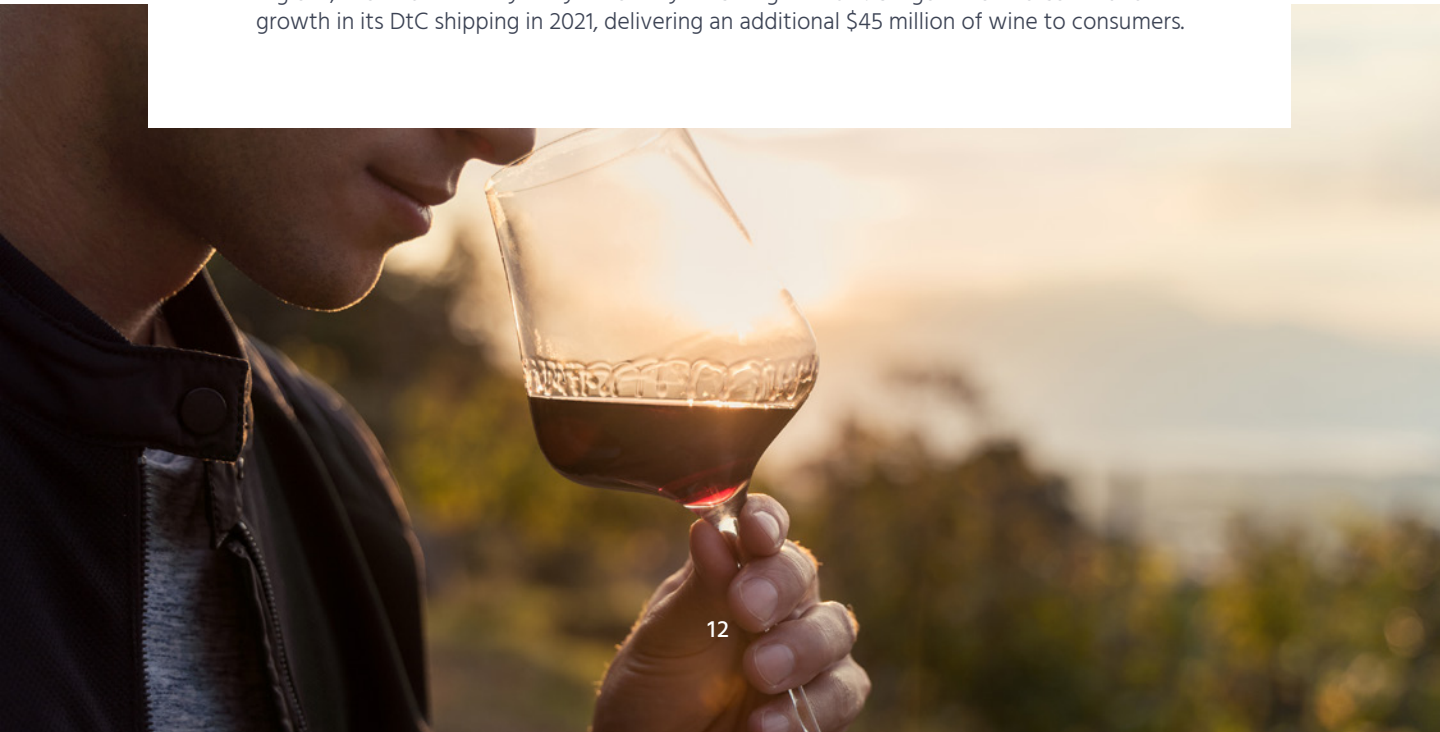
Analysis by Winery Region

In 2021, the relative importance of the seven regions tracked in this report look very much the same as they did in 2019. The 2021 transition back to normal in the overall DtC shipping channel, however, is due in large part to the bounce back in America's most famous wine-producing region.

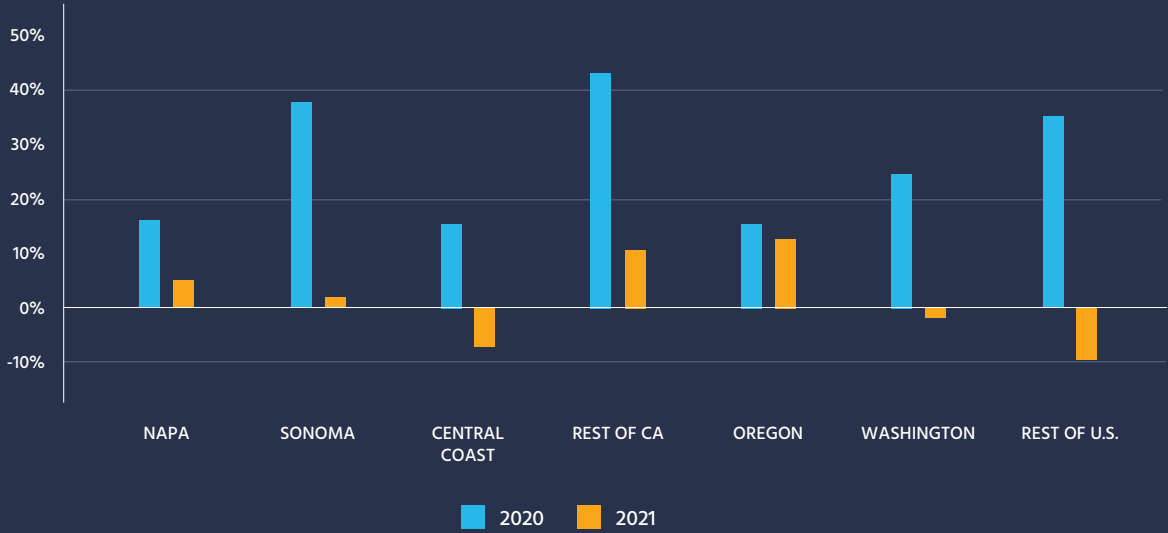
As it has for the duration of this report's issuance, the value of Napa County DtC shipments far exceeds that of any other region tracked. Most impressive, however, is the recovery Napa experienced in 2021. And while Napa shipments accounted for 45.0% of the value of the overall DtC shipping channel this past year, the region's nearly \$300 million increase in value of shipments over 2020 accounted for 60.3% of the entire increase in the overall channel's value in 2021.

Not every region tracked had the same level of recovery. Sonoma County wineries, which account for nearly a third of all bottles shipped, contributed only 12.2% of the increase in value to the shipping channel in 2021 despite accounting for 21.6% of the channel's overall value. The rest of the U.S. region, representing all wineries outside the West Coast, declined in both volume and value over 2020.

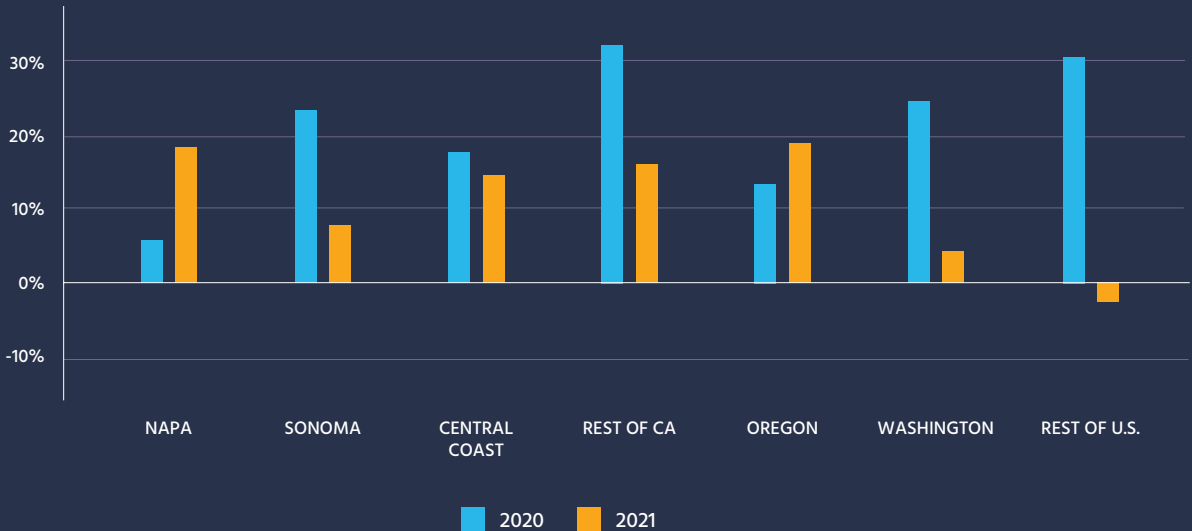
Washington state wineries, which weathered the storm of 2020 better than most other regions, showed relatively flat year-over-year change in 2021. Oregon showed continued growth in its DtC shipping in 2021, delivering an additional \$45 million of wine to consumers.



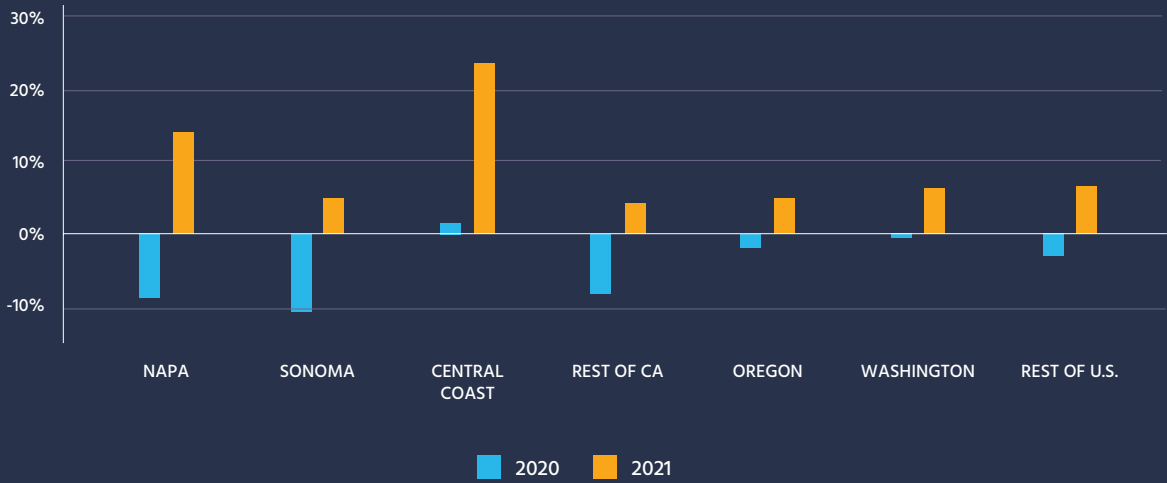
CHANGE IN VOLUME BY REGION, 2020 VS 2021



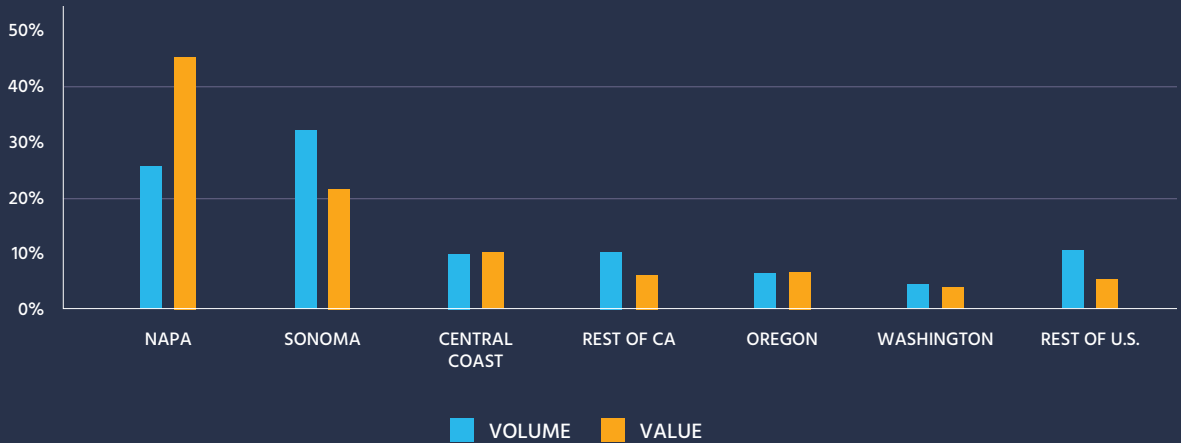
CHANGE IN VALUE BY REGION, 2020 VS 2021



CHANGE IN AVERAGE BOTTLE PRICE BY REGION, 2020 VS 2021



SHARE OF TOTAL VOLUME & VALUE BY REGION



Napa County

Perhaps the best indication of just how far Napa wineries’ DtC shipments recovered in 2021 is found in the value of those shipments. In 2020, Napa County wineries added \$90 million in value over the previous year’s shipments. In 2021, these wineries added \$299 million to the value of their DtC shipments.

This is due primarily to the 14.1% increase in average price per bottle shipped out of the region as fewer new buyers entered the shipping channel and wineries offered fewer discounts. The previous largest year-over-year increase in average price of a bottle shipped was 7.1% in 2018. 2021’s increased prices of wines shipped out of Napa County put its average price per bottle shipped at \$72.41, a full 4.4% higher than in 2019, despite an 8.6% drop in price in 2020. This recovery in price of Napa wines and its \$299 million in additional shipments in 2021 accounted for 60.3% of the entire DtC shipping channel’s half a billion dollar increase in value over 2020.

Two-thirds of Napa shipments are accounted for by five varietals: Cabernet Sauvignon, Red Blends, Chardonnay, Pinot Noir and Sauvignon Blanc. This has been the case for a decade. Cabernet Sauvignon shipments remained unchallenged for the top spot, accounting for 30.0% of the volume and 47.5% of the value of Napa shipments—a disparity that is explained by the \$114.40 average price per bottle shipped in

2021. This average price is 4.6% higher than in 2019 despite an 8.0% decrease in price in 2020. The 2021 recovery of Napa Cabernet Sauvignon is largely a result of a 13.8% increase in average price per bottle shipped and an 11.4% increase in volume of Cabernet Sauvignon shipped—all helping drive a 26.8% increase in the value of Cabernet Sauvignon shipped from Napa County wineries in 2021.

Not all varietals fared quite as well as Cabernet during this year of recovery. Napa Red Blends, which represent 13.1% of all DtC shipments out of the region, saw a complete recovery in average price per bottle back to its 2019 level with its 14.9% increase over 2020, but was unable to generate a similar level of interest as its Cabernet cousin. Red Blends volume dropped 2.1% from 2020, resulting in just a 12.5% increase in the value of shipments—much lower than Napa Cabernet Sauvignon or the region’s overall performance.

Finally, there is Napa County Pinot Noir, a varietal that accounts for 9.1% of wines shipped from the region. Napa Pinot Noir in 2021 significantly outperformed the overall DtC shipping channel by increasing its year-over-year average price per bottle shipped by 11.7%, its volume of shipments by 6.2% and the value of its shipments by 18.6%.

TOTAL VALUE	\$1,890,412,440
TOTAL VOLUME IN CASES	2,175,553
AVG. PRICE PER BOTTLE	\$72.41
VALUE % OF TOTAL	45.0%
CHANGE IN VALUE	18.8%
VOLUME % OF TOTAL	25.6%
CHANGE IN VOLUME	4.1%
CHANGE IN AVG. PRICE PER BOTTLE	14.1%



Sonoma County

Since 2016 wines shipped from Sonoma County have been steadily gaining a higher share of the overall volume of wine shipped in the DtC channel, largely by keeping prices steady or lowering them. That trend remained consistent in 2020 with a 10.3% drop from 2019 in average price per bottle shipped. In 2021, wine shipped from Sonoma County saw moderate price changes with a 5.2% increase over 2020. This resulted in only a modest 1.9% increase in volume and 7.2% increase in value of shipments over 2020, showing an underperformance compared to other regions tracked and the overall DtC shipping channel.

Wines shipped from Sonoma County maintained the highest share of wines shipped by volume at 31.7% of the overall channel. A \$28.02 average price per bottle with 2.7 million cases— representing \$907 million in wines shipped in 2021—is a recovery from 2020. If Sonoma County shipments perform well in 2022, we should see the total value of those shipments put the county in the billion dollar club.

From a varietal perspective, it was Pinot Noir and Cabernet Sauvignon, the two most commonly shipped wines, that buoyed Sonoma's 2021 shipment numbers. Pinot and Cabernet both saw significant price recoveries from 2020, with 11.7% and 13.4% increases in average price per bottle shipped in 2021.

These two varietals, representing slightly more than 40% of the total value of Sonoma DtC shipments, outperformed most other wines shipped from the county's wineries and match the growth in value of the overall DtC shipping channel.

Two Sonoma wines did not perform so well in 2021, for two different reasons. Sonoma County Zinfandel, which represents 10% of the volume of wine shipped from the county, actually saw another decrease in average price per bottle shipped over 2020. However, this did not lead to any significant increase in the amount of wine shipped as one would expect, suggesting there is weakened sales momentum in Sonoma Zinfandel.

Meanwhile, the 121,655 cases of Sonoma County Rosé shipped in 2021 represent 35.6% of all Rosé wine delivered through the DtC shipping channel in the United States. In 2021, in a near perfect reversal from 2020, the average price per bottle of Sonoma County Rosé dropped by 22.5%, leading to large volume growth but a decrease in the value of Rosé shipments. These volatile changes to the Sonoma Rosé shipping category likely reflect continued discounting by wineries and fewer new buyers in the DtC shipping channel.

TOTAL VALUE	\$906,923,210
TOTAL VOLUME IN CASES	2,697,341
AVG. PRICE PER BOTTLE	\$28.02
VALUE % OF TOTAL	21.6%
CHANGE IN VALUE	7.2%
VOLUME % OF TOTAL	31.7%
CHANGE IN VOLUME	1.9%
CHANGE IN AVG. PRICE PER BOTTLE	5.2%



California Central Coast

Consisting of Monterey, Santa Cruz, San Benito, San Luis Obispo and Santa Barbara counties, the Central Coast region is now in its third year of being tracked separately in this report, after its 900+ wineries were extracted from the Rest of California category for independent analysis. After maintaining its pricing better than any other region in 2020, in 2021 Central Coast wineries also increased their average price per bottle shipped more than any other region, with a 23.7% gain to an average of \$42.14 per bottle. While this price increase came with a 7.2% decrease in the volume of shipments in 2021, it did result in a significant 14.8% gain in the value of those shipments.

Red Blends, Pinot Noir and Cabernet Sauvignon together represent 56% of the \$439 million in total value and 47.9% of the 868,416 cases shipped in 2021 from wineries in the five Central Coast counties. But it was Red Blend shipments that drove this region’s 2021 recovery. Red Blend shipments accounted for 43.5% of the \$57 million

increase in the value of Central Coast shipments in 2021 despite representing just 27.1% of the region’s overall shipping dollars. Red Blend’s change in shipping volume was flat, but by increasing their average price per bottle shipped by 27.4% they were able to muster a 26.1% increase in the value of Red Blend shipments.

It’s also notable that 16 of the 20 different categories of wine tracked in the Central Coast region saw a decrease in volumes shipped in 2021. Ten of these 16 wines saw shipping volume decreases of 10% or more. Some of this is accounted for by the significant increases in average price per bottle (shipments of White Blends, accounting for 3.7% of all shipments, increased their average price by 36.3% over 2020). It should be noted that this region is also home to many “custom crush” facilities, meaning a small number of brands that ship DtC can come in and leave the region somewhat more frequently, thus impacting the region’s year to year shipping performance.

TOTAL VALUE	\$439,150,584
TOTAL VOLUME IN CASES	868,416
AVG. PRICE PER BOTTLE	\$42.14
VALUE % OF TOTAL	10.5%
CHANGE IN VALUE	14.8%
VOLUME % OF TOTAL	10.2%
CHANGE IN VOLUME	-7.2%
CHANGE IN AVG. PRICE PER BOTTLE	23.7%



Rest of California

This collection of California winegrowing regions reaches from Mendocino County in the north to Temecula Valley in the south to the Sierra Nevada foothills in the east. It contains tiny, family-owned wineries all the way up to some of the largest wineries in the world. In 2021, this region did not see the same robust price recovery as other regions but it did increase both the volume and value of its shipments with a velocity that exceeded the overall DtC shipping channel.

In shipping 892,708 cases of wine at an average price of \$24.37, this region generated \$261 million, a 17.1% increase in value over 2020. It's the increase in shipments, though, that impresses. After 2020, when the Rest of California region saw a 43.1% increase in its volume of shipments, in 2021 it netted a notable 12.2% increase in DtC shipments, far and away exceeding the 14% increase in volume of the overall DtC channel in the country. If this

trend of increasing volume continues, the Rest of California region will become the third leading source of DtC-shipped wine in the United States.

Four types of wine make up nearly 50% of the volume of shipments from this region: Cabernet Sauvignon, Red Blends, Other Reds and Zinfandel. In 2021, all of these wines, other than Zinfandel, far exceeded the overall DtC shipping channel's gains and accounted for a significant share of the \$38 million added to this region's shipments over 2020. Zinfandel, which accounts for 10.1% of this region's value and 9.9% of volume of shipments, simply could not generate the demand necessary to keep up with the region's robust growth in DtC shipments. While Zinfandel recovered completely from its reduction in average price per bottle shipped in 2020, it underperformed both its varietal peers in the region and the overall DtC shipping channel growth.

TOTAL VALUE	\$261,106,194
TOTAL VOLUME IN CASES	892,708
AVG. PRICE PER BOTTLE	\$24.37
VALUE % OF TOTAL	6.2%
CHANGE IN VALUE	17.1%
VOLUME % OF TOTAL	10.5%
CHANGE IN VOLUME	12.2%
CHANGE IN AVG. PRICE PER BOTTLE	4.3%



Oregon

In Oregon, Pinot Noir shipments dominate in a way that not even Cabernet Sauvignon can in Napa. In 2021, Pinot Noir accounted for 54.8% of all shipments of wine and 66.2% of the value of all DtC shipments from the state. Even with a 5.5% increase in average price per bottle to \$51.29, Pinot Noir shipments still increased 8.2% in volume and 14.2% in value over 2020. This led to Oregon outperforming all other regions tracked in this report in 2021.

While Oregon wines account for only 6.8% of the value of DtC shipments nationwide, this represents a doubling in the share of total DtC shipping value from a decade ago that is also paired with a doubling of its share of volume shipped, all while prices have been rising. This translates into an undeniable increase in demand for Oregon wines, and Oregon Pinot Noir in particular.

Two other Oregon wines that both saw heightened demand in 2021 were Chardonnay (the second most shipped wine from Oregon wineries) and Sparkling Wine. In 2021 Chardonnay shipments increased in volume and value by 28.7% and 36.4% respectively, even while marking a 6.0% increase in average price per bottle shipped over 2020. That increase in the value of Chardonnay shipments contributed 17.7% of the state’s overall increase in the value of shipments, while as a category Chardonnay only represents 10.4% of the overall value of Oregon shipments. Oregon Sparkling Wine, representing 4.1% of the volume and 3.8% of value of the state’s DtC shipments, saw increases of 60.7% in the value of its shipments and 55.6% in volume of shipments over 2020.

TOTAL VALUE	\$285,594,588
TOTAL VOLUME IN CASES	560,702
AVG. PRICE PER BOTTLE	\$42.45
VALUE % OF TOTAL	6.8%
CHANGE IN VALUE	18.7%
VOLUME % OF TOTAL	6.6%
CHANGE IN VOLUME	12.9%
CHANGE IN AVG. PRICE PER BOTTLE	5.1%



Washington State

2021 marks a bump in the road for what has been a five-year run of very impressive DtC shipping growth for Washington state wineries. Its wineries' 2.9% decline in volume and 3.3% growth in dollar value of DtC wine shipments don't measure up with most other regions tracked or the overall DtC shipping channel.

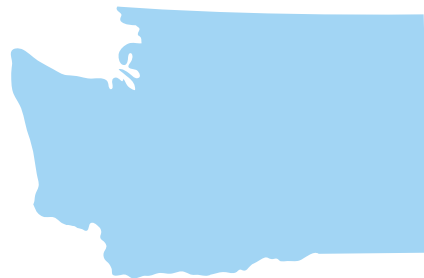
Washington's poor performance in 2021 comes on the heels of significant increases in shipments in 2020 while its average price per bottle shipped avoided any significant decline during that year. The weak 2021 shipping results compared with other regions are a reflection of the state's wineries being less impacted by the pandemic dynamics of 2020.

Interestingly, Washington's relatively poor shipping performance was not due to a fall off in shipments of its top wines. Fully 54.2% of

the value of Washington DtC shipments are accounted for by Cabernet Sauvignon and Red Blends. Yet, in 2021, shipments of these two wines grew by \$12 million while Washington overall added \$5 million to its DtC shipments over 2020, indicating just how poorly most other Washington state wines tracked performed in 2021. Red Blends shipment value increased by 15.0% over 2020, while Cabernet shipment value increased 13.6%.

Of the 18 other types of wine tracked in the Washington state region, 13 lost value compared to 2020 and four others couldn't come close to matching the growth in value seen in the overall DtC shipping channel. Only Chardonnay and Petite Sirah saw important growth in the volume and value of their shipments and they were only able to do so by keeping their price increases quite modest.

TOTAL VALUE	\$172,292,788
TOTAL VOLUME IN CASES	400,073
AVG. PRICE PER BOTTLE	\$35.89
VALUE % OF TOTAL	4.1%
CHANGE IN VALUE	3.3%
VOLUME % OF TOTAL	4.7%
CHANGE IN VOLUME	-2.9%
CHANGE IN AVG. PRICE PER BOTTLE	6.4%



Rest of United States

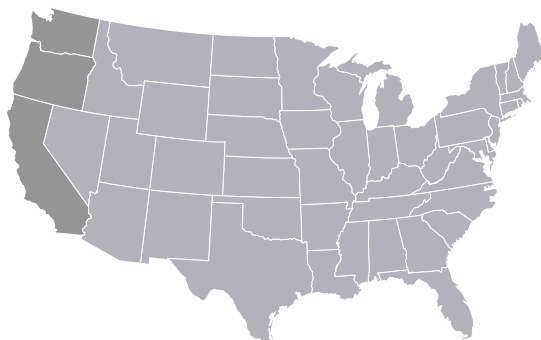
Representing wineries in every state outside the West Coast, this region’s DtC shipments fell significantly in 2021 after experiencing notable growth in 2020.

This regional category, which includes a wildly diverse set of growing regions and products, saw a 9.5% decline in shipments and a 3.5% decline in the value of shipments during 2021. This is the only region tracked that experienced a double decline in volume and value of DtC shipments during the year. This was a predictable dynamic given that many states in this region reopened for in-person

visitation in 2021 and were less dependent on shipping. They saw a higher occurrence of day trippers who carry out wines rather than having them shipped.

The primary bright spot is with shipments of Riesling, which account for 7.8% of all shipments and 6.7% of the category’s value. Riesling shipments increased by 15.9% over 2020, with a 33.2% increase in the value of shipments and an average price per bottle shipped of \$19.46, a 14.9% increase over 2020.

TOTAL VALUE	\$245,970,480
TOTAL VOLUME IN CASES	912,394
AVG. PRICE PER BOTTLE	\$22.47
VALUE % OF TOTAL	5.9%
CHANGE IN VALUE	-3.5%
VOLUME % OF TOTAL	10.7%
CHANGE IN VOLUME	-9.5%
CHANGE IN AVG. PRICE PER BOTTLE	6.6%



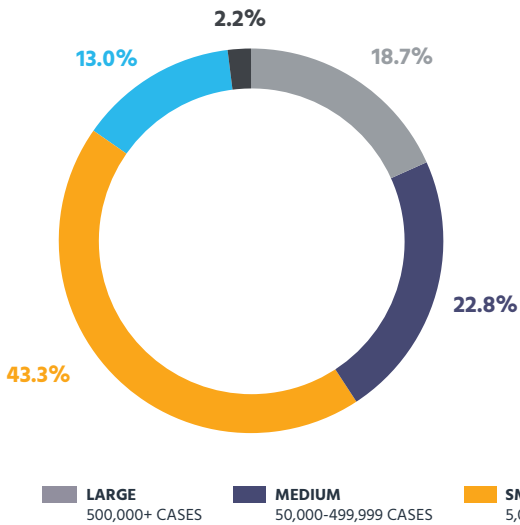


2021

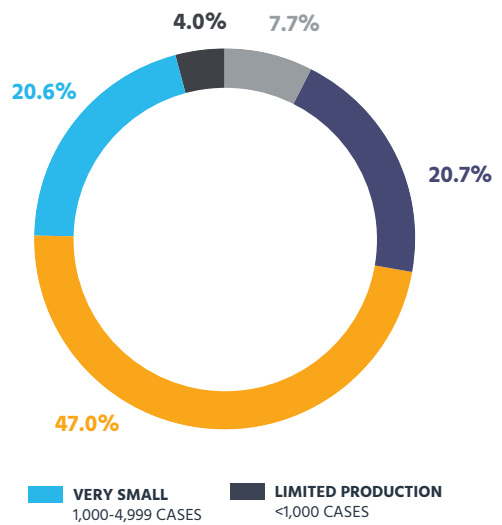
Analysis by Winery Size

In 2020, every category of winery saw a decline in its average price per bottle shipped. The decline in wine prices ranged from 5.0% for the Very Small category to 17.3% for the Large Winery category. In 2021, every winery size category saw an increase in price and all but the Largest Winery Size shipped wine at an average price per bottle that exceeded its 2019 average price.

VOLUME OF SHIPMENTS BY WINERY SIZE



VALUE OF SHIPMENTS BY WINERY SIZE



Large Winery Size

(500,000 or more cases produced annually)

After dropping its average price per bottle shipped by 17.3% in 2020, this small set of huge wineries was unable to retrieve most of that price drop in 2021. The Large Winery Size category saw a 4.5% increase in price in 2021, a 4.4% increase in volume and a 9.1% increase in value of DtC-shipped wines. However, at 18.7% of total DtC shipping volume, the Large Winery Size category now ships more wine than the Very Small and Limited Size Winery categories combined. Over the past decade, these largest wineries have increased their volume of DtC shipments by more than 1,000%.

TOTAL VALUE	\$324,340,963	CHANGE IN VALUE	9.1%
TOTAL VOLUME IN CASES	1,592,368	VOLUME % OF TOTAL	18.7%
AVG. PRICE PER BOTTLE	\$16.97	CHANGE IN VOLUME	4.4%
VALUE % OF TOTAL	7.7%	CHANGE IN AVG. PRICE PER BOTTLE	4.5%

Medium Winery Size

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

In 2020, wineries in this size category saw a 3.3% decrease in average price per bottle shipped during a year where the overall DtC channel saw a 9.5% decrease in average bottle price. In 2021, medium-sized wineries more than made up for that 2020 drop in price by increasing their price per bottle shipped by 12.8%. This came with a 4.6% decrease in shipment volume and an 7.7% increase in the value of DtC shipments.

TOTAL VALUE	\$871,417,192	CHANGE IN VALUE	7.7%
TOTAL VOLUME IN CASES	1,940,279	VOLUME % OF TOTAL	22.8%
AVG. PRICE PER BOTTLE	\$37.43	CHANGE IN VOLUME	-4.6%
VALUE % OF TOTAL	20.7%	CHANGE IN AVG. PRICE PER BOTTLE	12.8%

Small Winery Size

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

The Small Winery Size category accounts for 43.3% of all bottles shipped DtC in the United States. It represents a wide diversity of wineries, from those shipping 100% DtC to others primarily using the three-tier system to go to market. The past 12 months saw this group of wineries fully recover from 2020 with a 11.8% increase in average price of wine shipped and a 3.3% increase in volume—well over double the 1.4% increase in volume the overall DtC channel managed in 2021. Moreover, the 15.5% increase in the value of Small Winery Size shipments also exceeded the overall channel's 13.4% increase for the year.

TOTAL VALUE	\$1,973,599,909	CHANGE IN VALUE	15.5%
TOTAL VOLUME IN CASES	3,685,949	VOLUME % OF TOTAL	43.3%
AVG. PRICE PER BOTTLE	\$44.62	CHANGE IN VOLUME	3.3%
VALUE % OF TOTAL	47.0%	CHANGE IN AVG. PRICE PER BOTTLE	11.8%

Very Small Winery Size

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

Wineries falling into this category generally have a significant commitment to direct sales and DtC shipping. In 2021, this category also fully recovered from 2020 and appeared back on a track to normalcy. After dropping the average price per bottle shipped 5.0% to \$58.89 in 2020, these wineries saw an 11.0% increase in 2021 to \$65.37 per bottle, more than making up for the 2020 price drops and putting the category at its highest average price since this report was first produced. With that recovery in price came a 4.1% increase in volume and a robust 15.5% increase in the value of shipments.

TOTAL VALUE	\$864,582,793	CHANGE IN VALUE	15.5%
TOTAL VOLUME IN CASES	1,102,133	VOLUME % OF TOTAL	13.0%
AVG. PRICE PER BOTTLE	\$65.37	CHANGE IN VOLUME	4.1%
VALUE % OF TOTAL	20.6%	CHANGE IN AVG. PRICE PER BOTTLE	11.0%

Limited Production Winery Size

(Up to 999 cases produced annually)

When you increase the average price per bottle shipped by 26.8% in one year, it doesn't take much to see a surge in the value of DtC shipments. Even with these tiniest of wineries seeing a 6.6% drop in volume of wine shipped through the DtC channel in comparison to 2020, those huge price increases led to an 18.4% increase in the value of wine shipped. At an average of \$74.86 per bottle, these wineries have seen their average price in the DtC shipping channel increase by 76.6% since 2014.

TOTAL VALUE	\$167,509,426	CHANGE IN VALUE	18.4%
TOTAL VOLUME IN CASES	186,458	VOLUME % OF TOTAL	2.2%
AVG. PRICE PER BOTTLE	\$74.86	CHANGE IN VOLUME	-6.6%
VALUE % OF TOTAL	4.0%	CHANGE IN AVG. PRICE PER BOTTLE	26.8%



2021

Analysis by Varietal

Pricing changes by varietal shipped DTC in 2021 tell a tale of recovery. In 2020, of the 20 different types of wines and varieties tracked in this report, all but two (Rosé and Moscato) saw a decrease in the average price per bottle shipped. In 2021, all but three (Rosé, Pinot Gris, Sangiovese) saw increases in price from 2020. As mentioned above, we attribute this dynamic to an unusually large number of new DTC wine consumers buying generally lower priced wines in 2020, coupled with discounting by wineries, and then followed by fewer discounts in 2021 and fewer first time users of the DTC shipping channel.

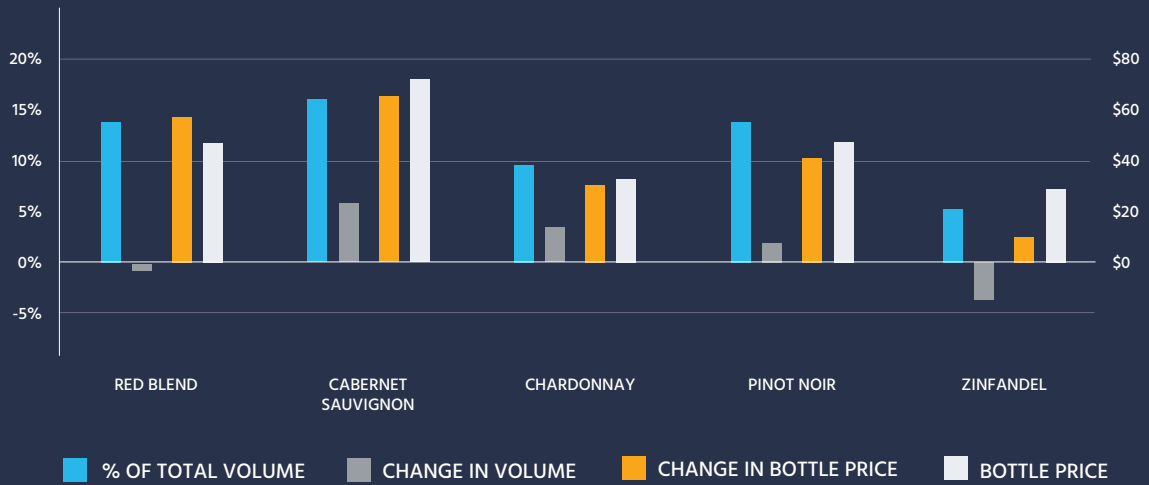
It is also notable that of the 18 wines that saw decreases in average price per bottle shipped in 2020, in 2021 all but four of those saw increases in the average price per bottle that exceeded the previous year's decline.

Cabernet Sauvignon is instructive. As many consumers used the DTC winery channel in 2020 to stock up on relatively lower priced wines, the average bottle price of higher-priced Cabernet plunged 13.1% and eked out an 18.2% increase in volume while the entire DTC shipping channel saw a 27.0% increase in volume. The value of Cabernet shipped in 2020 increased by a mere 2.7%. However, during the recovery year of 2021, with fewer new buyers and fewer discounts, the average price of a shipped bottle of Cabernet jumped by 16.4% to \$72.20, well exceeding its 2020 decline. Moreover, its 6% increase in volume was significantly larger than the overall DTC channel's 1.4% volume increase, leading to a 23.3% increase in Cabernet's value of shipments. Since 2019, the value of Cabernet shipments increased by \$250 million, putting the value of those shipments at more than \$1 billion in 2021.

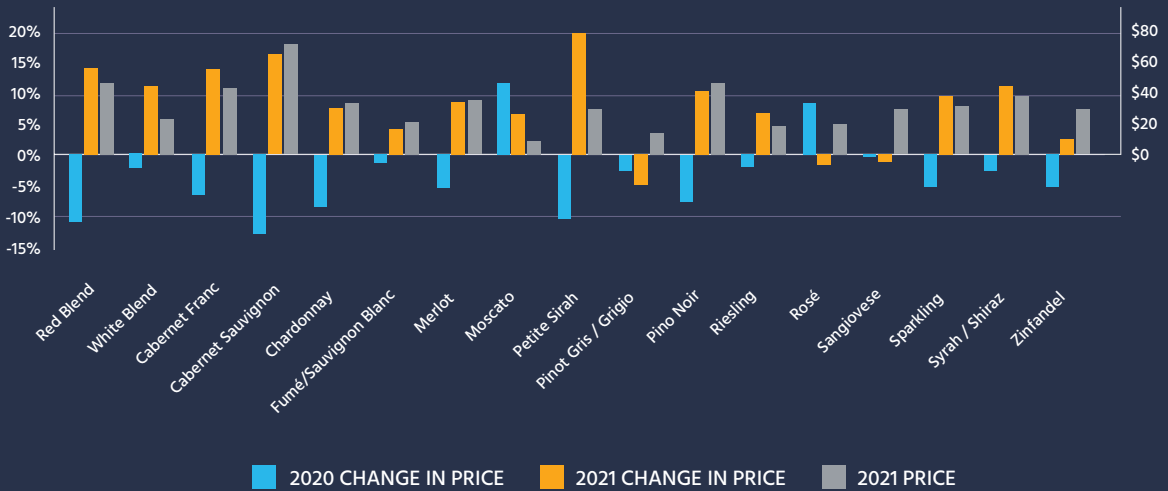
Finally, in 2021 the same five wines that for the past decade have been most commonly shipped remained in those top slots: Cabernet, Chardonnay, Pinot Noir, Red Blends and Zinfandel. Together, they account for 58.9% of all wines shipped and 71.8% of the value of the 2021 DTC shipping channel.



TOP VARIETALS SHIPPED: VOLUME AND BOTTLE PRICE



AVERAGE BOTTLE PRICE WITH CHANGE IN BOTTLE PRICE OF ALL VARIETALS, 2020 VS 2021





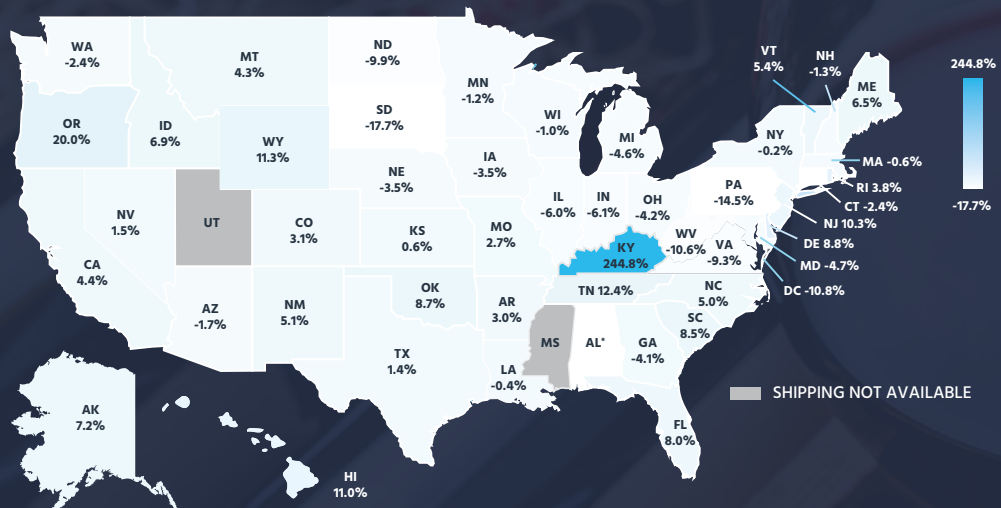
Analysis by Destination of Shipments

Despite the significant impact of the pandemic on the DtC channel over the past two years, the five states that have received the most shipments since 2016 (when Washington displaced Illinois in the top five) are the same in 2021: California, Texas, New York, Florida and Washington. We note, however, that in 2021 Florida overtook Washington for fourth place in the top five with a very healthy 8.0% increase over 2020 in the amount of wine Floridians ordered. As the top destination for shipments, California wine drinkers received more wine than Texas, New York, Florida and Washington combined.

Beginning in December 2020, Kentucky began allowing wine shipments under a law passed earlier that year. The result in 2021 was a huge 244.8% increase in shipments over the smattering of shipments that entered the state at the end of 2020. The 17,358 cases of wine shipped into Kentucky put it at number 39 of 50 states and Washington DC in the volume received via direct shipment.

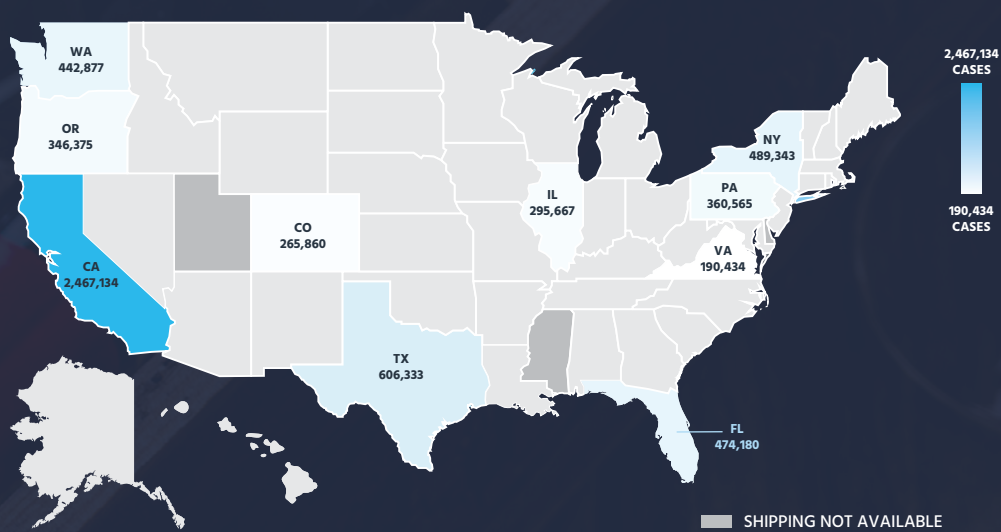
Alabama, meanwhile, opened up for DtC shipments in 2021 with a new law that went into effect on August 1. The result was 13,946 cases of wine shipped to Alabamans, putting that state at number 41. We would expect both Kentucky and Alabama to see continued volume increases in 2022 as more wineries obtain licenses to ship.

ONE-YEAR VOLUME CHANGE BY STATE



*Alabama, though opened for Dtc shipping in 2021, can show no increase since nothing was shipped in 2020.

TOTAL VOLUME OF SHIPMENTS, TOP 10 STATES





2021

Analysis by Price

Perhaps more than any other form of analysis of DtC shipments, it is price band analysis that demonstrates the recovery of this distribution channel in 2021. The higher the price, the larger the increase in volume over 2020, the complete opposite of what happened in 2020, when the lower the price, the greater the increase in the volume of shipments of those wines. Again, we attribute these correlations to new DtC buyers looking to wineries to source wine during pandemic lockdowns and restaurant closures but buying lower-priced wines than are normally purchased through the DtC channel, as well as substantial winery discounting. In 2021, with the new buyer surge in decline, the DtC shipping channel reverted to a form of normalcy, reflected in increases in volumes of higher-priced wines.

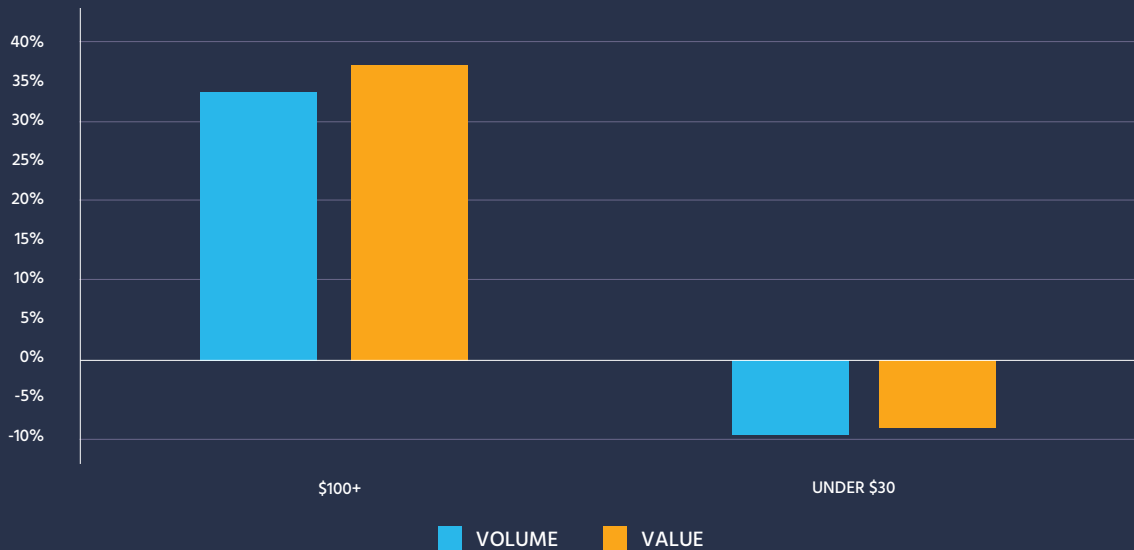
This unusual dynamic is also on display when we look at the change in volume and value for the most expensive and least expensive price categories. In 2021, wines with an average price per bottle of \$100 and more saw changes in volume and value of 34.2% and 36.1%, respectively. Meanwhile, wines with an average price per bottle of less than \$30 had changes in volume and value of -9.4% and -8.0%, respectively.



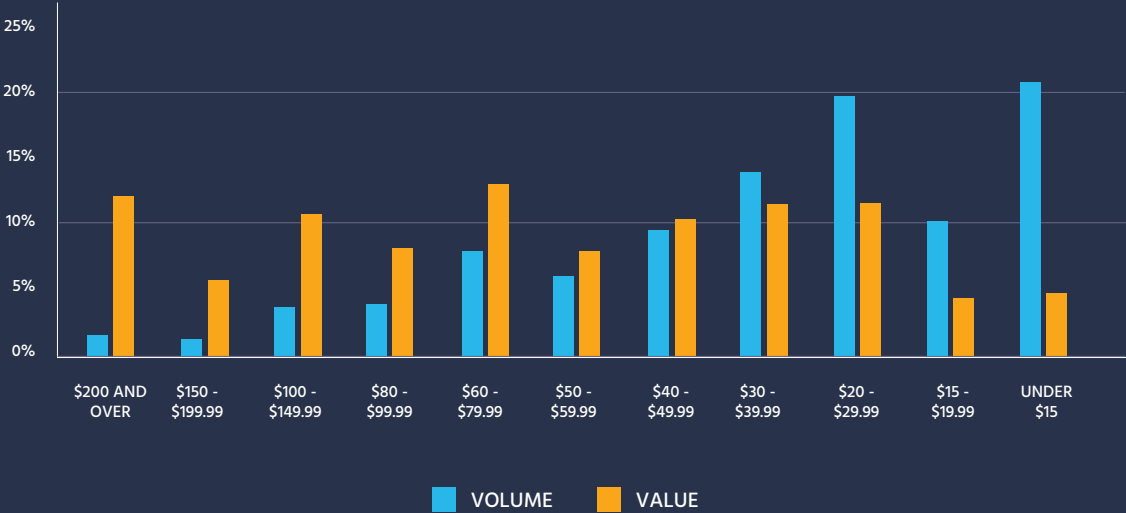
CHANGE IN VOLUME BY PRICE CATEGORY, 2020 VS 2021



CHANGE IN VOLUME AND VALUE, >\$100 AND <\$30



SHARE OF VOLUME & VALUE BY PRICE GROUP





Conclusions and Forecasts

2021 marked both a recovery in the winery DtC shipping channel as well as something of a reset to a new normal. The price recovery seen in the DtC shipping channel in 2021 is the result of fewer new buyers in the channel and a trend of discontinuing discounts as the economy returned to a more customary state. Notably, it appears that the wine consumers who found the winery DtC shipping channel in 2020 stuck around in 2021 and largely absorbed the retreat from discounting, forming a much larger base of customers from which wineries will work in 2022.

Equally important is the newfound emphasis wineries placed on digital marketing during 2020 and 2021. This increased investment in time, effort and personnel aimed at augmenting digital sales is likely to result in more incremental sales from both club and mailing list members, particularly as the efficiency of digital marketing increases.

Concerning 2022, while we have become somewhat hesitant to make predictions on how social, economic, technological and cultural trends will impact the winery DtC shipping channel, we note the following.



1 / Inflationary Impact on DtC Shipping

Inflationary pressures have hit the U.S. economy in a way that we have not seen in decades and to which the wine industry is not immune. Most economists say that higher prices will be with us for at least a good part of 2022. Increased costs of raw materials, glass, corks and shipping materials and services are bound to increase winery costs, which are likely to be passed on to the consumer. How consumers respond will most certainly have an impact on DtC shipments.



2 / Accelerated Digital Marketing

As discussed above, wineries were forced to pay more attention to digital marketing in 2020 and 2021. This increased effort to sell online and via email is likely to have a positive impact on winery sales, and with them, shipments. Moreover, it seems most tech innovations in the wine marketplace are aimed at better identifying, accessing and serving the consumer. The combined greater attention to digital sales and increased velocity of implementing consumer-facing technology will also positively impact winery shipments.



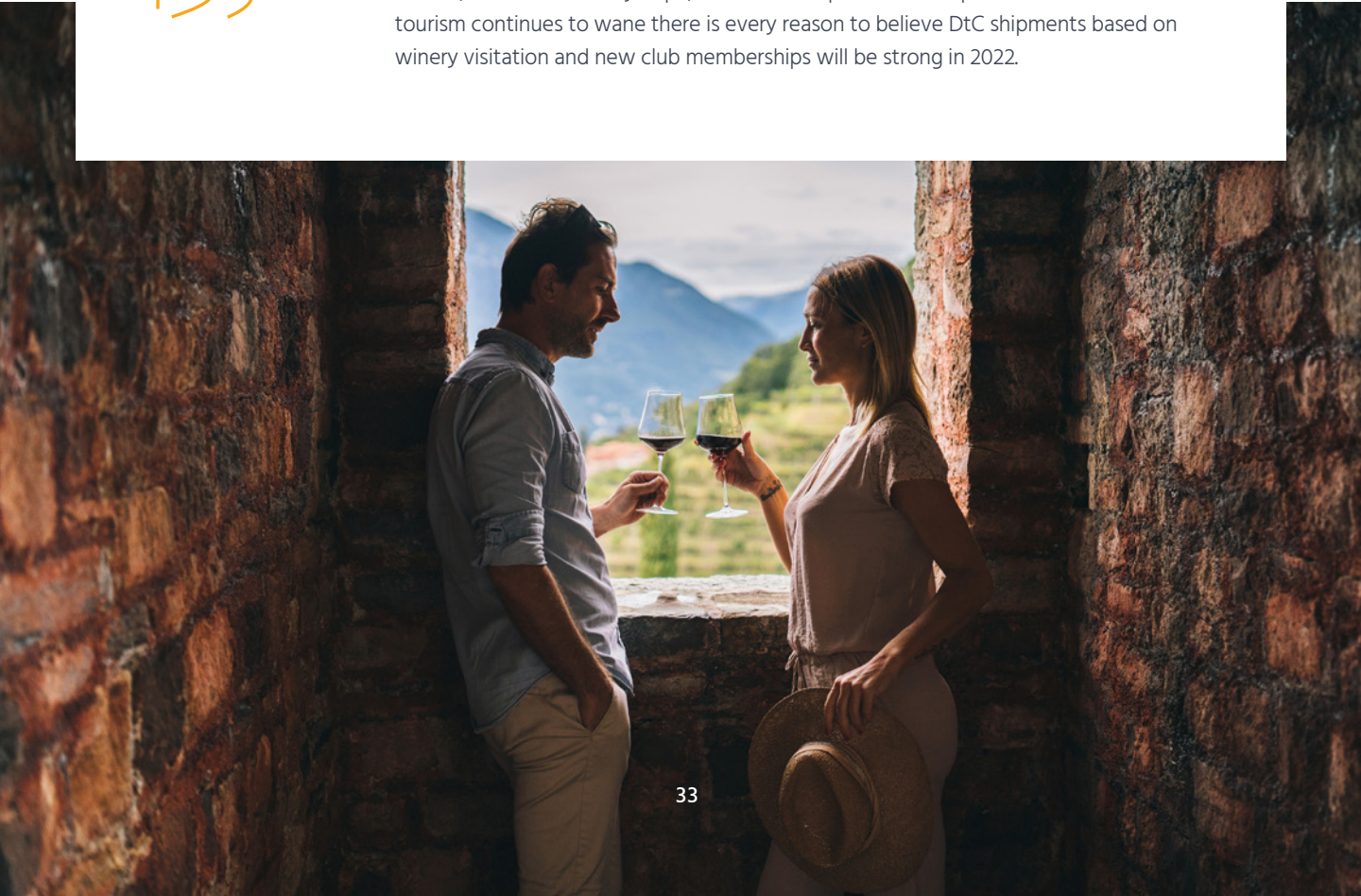
3 / Retail Sales and Delivery Innovations

Off-premise, retail sales of wine also increased during the pandemic, both in person and online. Additionally, third-party delivery technology platforms also elevated their game with increased penetration and share of sales. Finally, many of the temporary legal changes to allow restaurants to sell bottles of wine to go have been made permanent. All these developments pose additional competition for wineries and will have an impact on DtC shipments going forward.



4 / Bullish on Winery Visitation

We believe that the return to wine country that occurred in 2021 will continue in 2022. If, as we collectively hope, the COVID-19 pandemic's impact on travel and tourism continues to wane there is every reason to believe DtC shipments based on winery visitation and new club memberships will be strong in 2022.



Methodology

This report is an annual collaboration between Sovos ShipCompliant and Wines Vines Analytics. It analyzes anonymized, detailed shipment data from more than 1,300 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 11,000 wineries updated monthly by Wines Vines Analytics. This database is a near census of U.S. wineries (>99%). The model incorporates recognized statistical techniques to identify outliers and data anomalies. The first time buyers section of the report is calculated using only Sovos ShipCompliant customer data. It has not been through the Wines Vines Analytics modelling process.

DATA SPECIFICATIONS:

Number of shipments annually	42 million+
Wineries reporting	1,300+
Winery database	11,000+

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 report accurately projects this very large sample to all wineries in the United States.

Acknowledgments

The 2021 Direct-to-Consumer Wine Shipping Report is a collaboration between Sovos ShipCompliant and Wines Vines Analytics.

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WE WOULD LIKE TO ACKNOWLEDGE THE HELP AND INPUT PROVIDED BY THE FOLLOWING PEOPLE AND COMPANIES:

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