

# WINE BUSINESS MONTHLY

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## REVIEW OF THE INDUSTRY



## Largest Wineries

Outlook & Trends | Distributors | Wineries

# Outlook & Trends

## What We Can Learn from 2020

### The last year has been all about weathering storms and finding silver linings

Cyril Penn

*“We are not all in the same boat. We are all in the same storm.”*

The above quote from a poem by writer Damian Barr went viral in April 2020 when Mr. Barr posted it to Twitter. “Some are in yachts,” he continued, and “some have just the one oar.” The poem is about staying non-judgmental and being kind. It was retweeted a couple thousand times before it was shared widely by the Wall Street Journal.

If you were a large wine company with national brands distributed in chains and club stores in 2020, you were killing it and your ship was cruising.

If you were a medium-sized winery with a mix of restaurant sales and off-premise placements, you were paddling fast to regain lost revenue.

If your winery depended exclusively on tasting room sales or restaurants, you might have pivoted toward phone sales, e-commerce, or leaned on your wine club—and were probably treading water, if not struggling to keep afloat.

The year 2020 started out seemingly normal. Events like The Unified Wine & Grape Symposium and *Wine Business Monthly's* Innovation & Quality (IQ) Conference welcomed guests; International travel continued. Wineries were set to implement 2020 business plans.

Then came the initial shelter-in-place orders of late March.

It seems like it was a very, very long time ago, but think back to the trends in the wine industry prior to the March lockdowns. Overall, wine sales were decelerating in 2019 and there was an oversupply of grapes and bulk wine following the large 2018 harvest. After two decades of growth, sales were flat. People in the trade finally acknowledged

a slowdown—even though we had experienced three years of deceleration. Growth in direct-to-consumer sales wasn't as robust as it had been. Spirits, hard seltzer and alternative beverages were taking market share from wine. On top of that, wildfires and power outages occurred at the height of the 2019 tourist season. At the time, the overarching belief was, “What else could go wrong?”

Over the decades, we've learned that people drink in good times and in bad. As millions of Americans confined themselves to their homes, retail sales surged because consumers stocked up in preparation. The top-line numbers indicate the industry withstood the COVID-19 crisis relatively well in 2020, with overall wine sales seeing double-digit growth in the off-premise.

It was revealed that wine sales volume in the retail channels tracked by Nielsen would need to rise by 22 percent to make up for the on-premise losses. However, preliminary year-end data indicated retail sales rose 16 percent. There were reports that an e-commerce surge was making up for lost tasting room sales but, while that was true for some, it wasn't the case for most wineries.

Big national brands did exceptionally well, with millions of additional cases sold from brands such as Bota Box, Stella Rosa, Josh Cellars and Barefoot. In addition, consumers gravitated toward boxes and large formats.

“During 2020, consumer behavior shifted. Through numerous data sources, we've seen an increase in both retail sales and the number of retail buyers since the onset of the pandemic—around four million new consumers,” E. & J. Gallo chief marketing officer Stephanie Gallo said in an email. “We understand not only the critical importance of continuing to attract these new consumers, but also of holding their interest once they are in the category.”

#### Total Nielsen Measured Off-Premise Channels • Product Share Basis: Total Wine

Description	Latest 52-week period ending 12/26/20					
	Dollar sales	Change in dollar sales vs. previous year	Percentage change in dollar sales vs. previous year	9L equivalized volume sales	Change in 9L equivalized volume sales vs. previous year	Percentage change in 9L equivalized volume sales vs. previous year
<b>Bota</b>	432,237,382	138,771,942	47.3	7,603,501	2,452,485	47.6
<b>Stella Rosa</b>	432,768,496	225,505,948	108.8	3,173,883	1,645,138	107.6
<b>Josh</b>	470,593,329	145,574,191	44.8	3,018,531	908,973	43.1
<b>Barefoot</b>	1,088,234,111	157,089,110	16.9	15,740,246	2,415,044	18.1

## The Trends That Shaped Our Year

### Ebbs and Flows in Business Climates

Beverage alcohol consultant Danny Brager likened 2020 to four different years rolled into one. First, the period before the lockdowns was “normal.”

Next came the pantry loading period, with massive channel shifting as lockdowns were initially enforced. At this time, no one knew what was going to happen. Gomberg-Fredrickson reported that California wine shipments declined more than 6 percent in the second quarter, then recovered in the third quarter. During the first nine months of the year, shipments within California fell 14 percent versus a year earlier, while out-of-state shipments increased 2 percent. This resulted in a net decrease of 1 percent, for a total volume of 185 million 9L cases. Declines in California, Oregon and Washington were driven by reduced activity at wineries, primarily for the smaller producers.

*“One year everyone pulls out Pinot Gris and the next year everyone wants Pinot Gris. One year they’re short of Cabernet and one year they’ve got too much. It never balances out but that’s the fun of the game.”*

– **Fred Franzia**,  
CEO, Bronco Wine Group

In the summer months, there was a leveling out, and consumers weren’t going to the restaurants or bars that were opened in the numbers needed for the establishments to flourish. By July, tasting rooms were generally open but activities were restricted to outdoor spaces. Then in August, freak lightning storms sparked a series of wildfires and power outages just ten months after the 2019 wildfires, and the air was thick with smoke.

Next came the holiday period, as more lockdowns were enacted before Thanksgiving, shutting tasting rooms and restaurants back down—but even at home, it turned out that many weren’t celebrating much.

“Large wineries are doing well, and medium-sized wineries had an initial bump in the April through July time frame,” Chris Indelicato, president and CEO at Delicato Family Vineyards, told *WBM*. “Now it’s getting tougher out there and on-premise is not recovering.”

Thanksgiving didn’t deliver the sales bump the industry had come to expect over the years. Early in the crisis, the correlation between shutdowns and off-premise sales spikes was strong and many had hoped that the fall shutdowns would also spur a spike in retail sales—but it never happened. Christmas week sales were expected to look a lot like those at Thanksgiving.

“November took a total dive. It’s a very curious thing,” Rodney Strong Vineyards’ president Carmen Castaldi said. “We think December is going to be the same way for the whole industry. Distributors came in thinking it was going to be bigger than usual because of impending pantry loading but, to the contrary, it took an abrupt retrench back.”

In the 12 months ended November 2020, retail channels tracked by Nielsen came to \$20 billion and 209 million cases, while DTC came to \$3.65 billion off 8.2 million cases. Both channels were up over the previous year, but the growth rates were lower than what was seen prior. Average DTC bottle prices dropped. Consumers who hadn’t previously purchased online before were now willing to try their hands in the channel at more mainstream prices. Producers adjusted prices accordingly to move inventory.

Private label wines grew double-digits in the retail channel, in tandem with the overall market, but didn’t take additional share from branded wines.

### Pivoting from On-Premise to Retail

A lot of the medium sized wineries couldn’t pivot to retail sales immediately. Moving additional volume from restaurants into the retail channel isn’t something you do in one meeting, especially if people aren’t looking to stock new wines. “There’s a shortlist of brands that can actually make that pivot to off-premise,” JaM Cellars co-founder and chief executive officer John Anthony Truchard said, “Because there’s already demand for the brands.”

That said, there were allocations of smaller on-premise lines that eventually made it into retail, offering an opportunity for consumers to try wines they might not otherwise have been able to afford or might not have had access to.

“There may be some long-term silver linings, because wine changed sales outlets from on-premise and more expensive places to off-premise and clubs and other areas,” Alex Ryan, CEO at Duckhorn Wine Company, said. “It’s a series of puts and takes. We’re probably still adding up the puts and takes to see what really occurred.”

*“There’s a shortlist of brands that can actually make that pivot to off-premise, because there’s already demand for the brands.”*

– **John Anthony Truchard**,  
CEO, JaM Cellars

*“During 2020, consumer behavior shifted. Through numerous data sources, we’ve seen an increase in both retail sales and the number of retail buyers since the onset of the pandemic—around 4 million new consumers.”*

– **Stephanie Gallo**,  
chief marketing officer, E. & J. Gallo

### Store Resets

Consumers heading into stores these days don’t necessarily want to talk to the staff wine expert; they want to get in and get out. This means that quite often they’re buying familiar, big national brands and hunkering down. Retailers weren’t entertaining presentations for new SKUs during the early stages of COVID-19 and they also didn’t want extra staff in a store. That could change in 2021.

“At this point, I think everybody is feeling it’s an awkward time to launch a new national brand,” Heidi Scheid, executive vice president at Scheid Family Wines, said. “Resets are going slow but we’re going to see activity. A lot of retailers are queued up to reset their shelves with new items.”

“There is a thawing of wanting to reset the stores to bring in new things and looks because there was a hiatus,” Precept Wine chief executive officer Andrew Browne said. “The sky was falling for all these retailers in a good way. They didn’t want to look right or look left, they just wanted to get it in the store, get it priced and get it out for customers to buy.”

He said retailers are now looking to springtime and summer of 2021. “Some shops see light at the end of the tunnel so they’re opening up about wanting us to pitch them on things,” Browne added.

“I’m expecting tweaks more than resets,” another supplier said.

*“November took a total dive. It’s a very curious thing. We think December is going to be the same way for the whole industry. Distributors came in thinking it was going to be bigger than usual because of impending pantry loading but to the contrary, it took an abrupt retrench back.”*

– **Carmen Castaldi**,  
president, Rodney Strong Vineyards

### Uncharted Waters: Liquor Laws Liberalized

As wineries “pivoted” to “meet the moment,” regulators eased up on the rules, for instance by permitting small containers of wine to be sent to consumers for virtual tastings, and making allowances for deliveries of alcoholic beverages, curbside pickup of wine, etc.

The *Wine Business Monthly* Tasting Room and Wine Club Survey indicated wineries had employed new marketing strategies. At the end of April, 56 percent of wineries said they were offering virtual tastings. The survey indicated just 18 percent of wineries had a phone sales process in place prior to the crisis, while a further 17 percent had recently started a program. Eighty-seven percent of California winery respondents, 94 percent of Pacific Northwest wineries and 87 percent of all other wineries adopted curbside pickup.

Pundits have predicted that the liberalization of some liquor laws due to the COVID-19 crisis will remain indefinitely.

With most states in some phase of reopening, a survey by WineAmerica confirmed that smaller wineries were hemorrhaging money and indicated 70 percent had applied for PPP money under the Paycheck Protection Program.

### Sourcing After Fires and a Short Harvest

With wildfires causing havoc in California, Oregon and Washington, it seemed as if wineries on the West Coast were continually managing a crisis in 2020. Now, many were made to reject, release or reclassify thousands of tons of grapes. The LNU Complex fires in Napa and Sonoma were followed by the knock-out punch of the Glass Fire. By many accounts, the majority of the red grapes from Napa’s 2020 harvest were either not picked or declassified. The smoke issue extended to other regions in the state: 4 million acres burned in the Golden State. A series of fires in Oregon in September blazed through more than one million acres, the first time a significant smoke event affected wine grapes in Willamette Valley.

### Supply More Balanced

The bulk wine market is usually slow during harvest, as wineries evaluate the incoming crop size and what they can realistically sell. But a short harvest and the issue of smoke exposure from fires prompted wineries that would normally sell off extra wine to pull their bulk wines off the market. This caused buyers tasked with sourcing for the retail surge to quickly purchase whatever bulk wine they could find to hedge their bets.

“Wayne Donaldson (winemaker for Josh Cellars) deserves a medal for what he’s managed through,” W.J. Deutsch & Sons president Tom Steffanci told *WBM*. “We literally came to him on Josh and said, ‘We’re going to need another 1.1 million cases in the next 16 months’ and he about fell over.”

Napa Valley wineries will release less 2020 wine than planned, and some estate wineries even plan to skip the vintage because of smoke exposure. To maintain cash flow, it’s expected that these wineries might release 2019 wines a little later and the 2021 vintage earlier.



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*“Wayne Donaldson (winemaker for Josh Cellars) deserves a medal for what he’s managed through. We literally came to him and said, ‘We’re going to need another 1.1 million cases in the next 16 months’ and he about fell over.”*

– **Tom Steffanci**,  
president, W.J. Deutsch & Sons.

“We’ll be able to sell through two vintages to get up to the ‘21 vintage,” Sandra LeDrew, Terlato Wine Group’s COO, said. “We’ll have great quality wine out there and won’t have a gap. COVID-19 slowed down the on-premise side of the business so we’re going to be in good shape and completely in balance, between all factors combined.”

The consensus at this point is the bulk wine market is fairly balanced following the short 2020 harvest.

“In some ways, the 2020 vintage being little bit lighter in general could be a blessing,” Francis Ford Coppola Winery chief executive Corey Beck said. “We’re starting to see more activity with wineries going back to growers for contracts for 2021 and beyond,” he said. “That’s where the biggest concern could have been if we’d had a mammoth 2020 harvest.”

How will this play out in the next crush report?

“We think the crush is going to be off by half-a-million tons from last year,” Jeff O’Neill, CEO at O’Neill Vintners and Distillers, said. “Demand will be flat to slightly up, so we think the market is in pretty good shape. Whatever surplus existed appears to have been taken.”

*“The overall supply base in California is dwindling every year, and a lot of grapes came out of the ground this year. We’ve taken out over 15 percent of ours.”*

– **Fred Franzia**,  
CEO, Bronco Wine Group

## Gallo-Constellation Sale Finally Closes

Constellation Brands and E. & J. Gallo finally completed their mega-transaction early in January 2021. The deal involved Constellation’s lower-priced wine brands and large winemaking facilities. The transaction, first announced in April 2019, was delayed by a Federal Trade Commission probe. Having the brands and assets—which had accounted for perhaps 20 million cases of annual production—put in limbo by the FTC created uncertainty for growers. With the transaction complete, some of that uncertainty goes away.

The deal obviously makes the industry’s leading supplier even bigger.

“Gallo just dominates the grocery stores, from the lowest-end price to the highest. This deal with Constellation is going to concentrate it so much more,” Bronco Wine Group’s CEO Fred Franzia said. “I don’t think it’s good for the industry that the FTC allowed that to happen. There’s too much concentration.”

## After the Storm: More Consolidation

“There’s going to be more consolidation,” Indelicato said. “The big brands will do well, and weaker brands or weaker private labels will struggle next year.”

“This is a time of distress in the wine business,” Bill Foley told WBM after he purchased Ferrari-Carano in July. “There’re going to be interesting opportunities—brands with vineyards and production facilities that maybe have a little too much leverage or are having trouble with distribution. Opportunities will come along in Napa and Sonoma in the next year or so. I’m keeping my eyes open.”

*“Most of our growers are very anxious to extend the contracts we have in place. They think there was a temporary hiccup with all the issues going on and that it’s going to return to excess inventory situation.”*

– **Greg Popovich**,  
CEO, Castle Rock Winery

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## Innovation and Consumer Trends

### Alternative Formats and Convenience

Consumers gravitated toward large formats, such as 3-liter boxes, and beverages in cans, wine included, gained popularity. Ready to drink cocktails, some of them wine based, continued to gain traction. Large wine companies such as Constellation put a focus on convenience with offerings in 375 ml bottles, cans, and in some cases, tetra packs. Wineries introduced wine-based seltzers, products such as Barefoot Bubbly, in response to the continued growth of the hard seltzer category. More wine was introduced in cans, products such as Ruffino Prosecco made with organic grapes, amid more consumer interest in so-called clean wines.

"We have had to innovate and ensure that we are meeting consumer needs. People often want to enjoy a single glass of wine, so the 750 ml package can sometimes be a barrier," Stephanie Gallo said. "Single-serve packaging formats—such as cans, 375 ml half-bottles, three-liter boxes and RTD (ready-to-drink)—are incredibly important as we look to win new friends for wine and provide our consumers with more dynamic options."

"Even before COVID-19 we were very focused on convenience with a really strong emphasis on 375 ml offerings in wine across more premium price segments," Robert Hansen, Constellation's executive vice president and president of the Wine + Spirits division, said.

### "Better for You"

At least one new category is set to emerge in 2021. Retailers are calling it "healthier for you" and the wineries call it, "better for you." As the pandemic wears on, people are reevaluating their lifestyle choices and some of that involves opting for low calorie offerings. Low alcohol wines may finally find a niche this year, depending on how consumers respond.

"We think the lower calorie element is the thing consumers are most interested in, with a taste profile that is light and refreshing," Steffanci said. Deutsch is the company behind Yellowtail in the U.S. market.

The Wine Group launched Cupcake LightHearted with 80 calories, 8 percent alcohol by volume, and less than 1 gram of sugar in each 5-ounce serving. Trincherro Family Estates launched Mind & Body Wines at 90 calories per 5 oz serving billed as "vegan, gluten free, non-GMO. Scheid Family Estates launched Sunny with a Chance of Flowers, a "zero sugar, low calorie, low alcohol wine." Precept Wine continued to offer Cense, Constellation launched Kim Crawford

*"It will be fascinating to see how things unwind. The cards been tossed up in the air. That creates a lot of opportunity."*

– **John Anthony Truchard**,  
CEO, JaM Cellars

*"We think the crush is going to be off by half-a-million tons from last year. Demand will be flat to being slightly up so we think the market is, in pretty good shape. Whatever surplus existed appears to have been taken."*

– **Jeff O'Neill**,  
CEO, O'Neill Vintners and Distillers

Illuminate, Delicato prepared the launch of Bota Breeze, and Yellowtail launched Yellowtail Pure Bright, to name a few others.

"What we're dealing with is a significant consumer shift toward understanding the importance of betterment in their total lifestyle," Hansen of Constellation said. "It's less about a trend and more about a choice a consumer is making to live their life more consciously. We see opportunities that are sustainable here and intend to play aggressively to win share in this market."

"There's been a lot of consumer trend shift around health and mindfulness and consumption, while seeking balance and being socially conscious," Went Family Vineyards president Amy Hoopes said. "There're a lot of opportunities for brands to really live their values in a way that can deepen connections with those consumers as we move forward."

### Sparkling Wine Performs

Another new niche picking up steam for 2021 is Rosé Prosecco, now that the Prosecco DOC approved it. Domestic offerings are under such brands as Korbel, Josh Cellars and Cupcake.

### Purchasing Habits Change

Staying at home changed consumer habits as more ordered groceries and wine online and began cooking more meals at home.

That shift prompted large wine companies that hadn't prioritized direct-to-consumer sales in past years to make it more of a priority, Constellation Brands, among them. "When COVID-19 hit, the team quickly—with agility and tenacity—shifted to where the consumer was buying. We put a strong emphasis on digital commerce," Hansen said.

As mentioned previously, wineries entered the virtual tasting space. Many expect these changes will be long lasting, if not permanent.

"There's been this moment of customer awakening," Naked Wines CEO Nick Devlin said. "All of a sudden it doesn't seem like a strange thing to buy wine online or from an online company."

"It's fascinating to look at the direct-to-consumer space right now, Ste. Michelle Wine Estates CEO David Dearie said. "Consumers love to consume wine, but they're still intimidated buying it, and don't quite know which questions to ask. In some ways, getting into the store, buying the wine and getting out unnoticed and anonymous is a success. When folks spend time online, they can ask questions, chat,



## LODI WINE CALIFORNIA

With all due respect to Creedence Clearwater Revival, but there are some people who choose to get stuck in Lodi on purpose.



The term “new to Lodi” used to mean that your family had been here only two or three generations. But now there’s a whole new breed of growers and vintners (call them the omni-generationalists) putting an exciting spin on what it means to be able to put the name Lodi on a bottle of wine. They’re bringing with them new ideas and new techniques, along with a deep appreciation and understanding of the unique conditions that make this one of the premier wine regions in the country. If not the world. And in doing so, they’ve opened a lot of eyes as to what’s possible. We’re talking about people like Markus Bokisch, who found the volcanic soils over in Clements Hills perfect for transplanting his family’s Spanish farming roots; becoming one of California’s Spanish varietal pioneers. Or another Markus, Markus Niggli from Switzerland, who traversed the world and landed here, making off-the-wall German varietals. Then there’s Tegan Passalacqua who has his pick of California’s most historic vineyards, but who’s chosen the Victor Triangle as home for his own patch of gnarly old growth and a winery to boot. And of course you can’t say the names Robert Mondavi and Opus One without including their former winemaker, Heather Pyle-Lucas, who made Lodi and The Lucas Winery home. All found Lodi to be invigorating, exciting and above all, welcoming. Just as you’ll find it when you choose to come visit.

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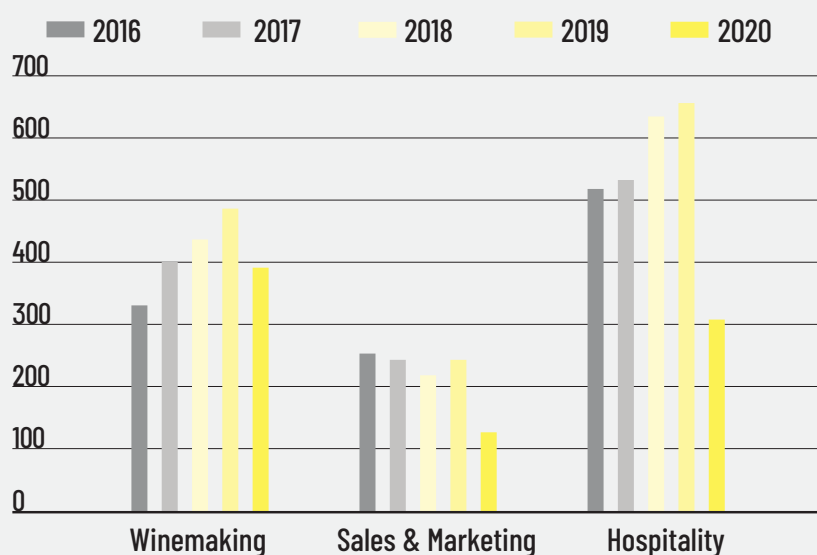
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## Winejobs.com Hiring Trends - A Year in Review

It would be no surprise to anyone that hiring took a bit of a nosedive this year. In the wine industry, the sales and marketing/hospitality sectors saw the greatest drops to jobs posted, as tasting room and restaurant closures rendered new openings essentially unnecessary.

As the wine industry's leading online job site, *Winejobs.com* has a unique vantage point over industry trends. The latest report released by *Winejobs.com* included jobs posted through the end of 2020, which has provided an opportunity to review the hiring trends in the industry over the pandemic. Taken as a whole, the industry saw a large year-over-year decrease in winery jobs, down 38 percent. The bulk of the postings on *Winejobs.com* come from wineries, distributors and wine retailers. Here is a look at their individual trends.

### Index of Winery Job Postings YTD



Job growth for wineries saw double-digit decreases in 2020, a stark contrast to the growth of the past decade. April, the month in which most wineries start hiring seasonal help for the cellar the tasting room, saw a 71 percent drop in postings, reflecting the uncertainty surrounding the long-term effects of COVID-19. This most affected DTC, tasting room and retail (hospitality) jobs as well as sales and marketing positions. Winemaking positions rebounded as we inched closer to August, as cellar teams developed distancing procedures and prepared for harvest.

The biggest news for wine distributors was that while postings to *winejobs.com* dropped from levels in 2019, the index did not reach a historic low. Year-to-date, postings fell 34 percent in the sector. Again, April was the slowest month for postings, as companies hedged bets and waited to see how retail and restaurant closures panned out.

Retailer hiring started out the year flat, and then quickly dropped in April and May. Year-over-year retailer postings saw a 40 percent drop. **WBM**

winejobs.com

do a bit of research, and be less intimidated. As a result, they buy better quality."

The industry responded to consumers' increasing willingness to engage digitally.

"We've known for quite some time that the wine industry was behind the curve as a consumer-products good in the digital space," Wente Vineyards president Amy Hoopes said. "COVID-19 accelerated the need and the acceptance from consumers to engage with wine online."

## Industry Moving into a Digital Renaissance?

### Rethinking Travel

COVID-19 fundamentally changed how wineries do business, how distributors do business with suppliers, and the way suppliers interact with accounts and distributors. Comfort with technology has reached the point that the majority now knows how to click the link to join a video conference.

"There will be certain types of meetings we won't really need to get on a plane for," LeDrew said. "We're going to learn to work smarter and, as a result, be more efficient and more comfortable with digital ways of working than we were before."

It hasn't always been easy for a winery to get a meeting by saying "Hey, we're going to fly to your city. Can we have an hour of your time?" At the same time, distributors and retailers don't want to make a winery rep fly out just to spend 30 minutes with the buyer. Now that both parties are comfortable hopping on a video conference call, buyers are more apt to grant a winery a few minutes.

"We're having more meetings and they're more productive," Scheid said. "In some ways, they're more genuine. There're lots of things that you can do without making somebody jump on an airplane. The world will get back to the traveling for in-person meetings but they're going to be done more judiciously."

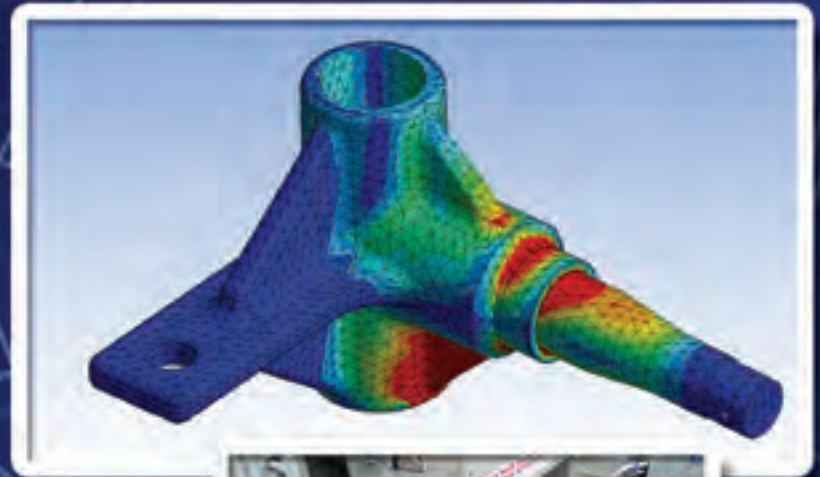
*"People have gotten very used to eating at home. Even if the restaurants open again, and everyone's miraculously vaccinated, that business is going to be a tough nut to crack."*

- **Greg Popovich**,  
CEO, Castle Rock Winery

# ENGINEERING IN INNOVATION OUT

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## A Focus on Digital Digital Advertising

Several executives surveyed for this article said they've upped spending on digital advertising, both on social media and other digital platforms, including YouTube, Hulu, Instacart and Drizly.

"We've seen the growth of digital purchasing and alcohol delivery, a channel that is actively attracting new consumers, as 17 percent of Americans are ordering alcohol in this way for the first time," Stephanie Gallo said. "We've also seen that about 30 percent of orders for delivery or take-out from on-premise locations include wine. Consumers have embraced the ease and flexibility of this channel, and we anticipate this behavior will continue into the future."

Constellation purchased "digitally-native" wine brand and direct-to-consumer platform Empathy Wines from Gary Vaynerchuk. Hansen said part of the appeal of Empathy was its use of the Shopify e-commerce platform to engage digitally via Facebook, Instagram, Drizly and Instacart.

## Experiences

Timothy Persson, CEO at The Hess Collection, said club sales have been strong, though the ability to drive new club membership has been limited. Offsetting natural attrition is much more difficult when you don't have a regular stream of people visiting the winery, he said.

The lockdown allowed wineries like Hess to evolve their DTC experiences to meet this smaller visitor count, and move toward more costly, hands-on experiences that focus on higher-end wines and longer-term conversations—thereby making the hospitality venue more like an extension of the wine club.

"People want to come to one place and really enjoy their time there with their friends in the company of the relevant winery," Persson said. "That's a healthier route to longer term relationships with your consumers than when somebody's trying to hit five wineries during the course of one afternoon."

## Attracting New Consumers

Several executives interviewed for this article said younger adults returning home in 2020 are taking a greater interest in wine.

In a survey conducted in the summer by Wine Opinions, 48 percent of high frequency and \$20+ wine buyers reported increasing their average weekly consumption of wine. The survey indicated high frequency and \$20+ wine consumers were doing a lot of things that all U.S. wine drinkers in the broader market were doing—for instance, trading up in price for the same reason everyone else was: they weren't buying wine in restaurants. However, the survey indicated Millennials were driving the frequency side of the equation, increasing their wine consumption by a net 50 percent.

"COVID-19 brought families closer together; Kids coming home from college stayed at home," Corey Beck said. "I've had people tell me, 'My son or daughter is raiding my wine cellar. They're happy not to be drinking White Claw.'"

"We think the younger generation is going to take a little more interest in wine, as long as we can figure out how to get it in front of them," O'Neill said.

## Employees Step Up: Managing Through a Crisis

COVID management was a challenge for all wineries. Employees stepped up and came together.

"The silver lining was seeing the ways in which teams internally at our company and communication across the industry came together," LeDrew said. "The wave of hits didn't seem to stop in 2020."

"The most interesting thing that's happened in the last year is our employee base doing the best they can in very trying conditions," Franzia said. "Nothing is going to happen without the employees. I think too many people get taken for granted."

"This year has been a story of adversity countered by grit and perseverance. Our teams have worked incredibly hard to adapt and innovate during this time of great challenge and change," Jackson Family Wines chairman and proprietor Barbara Banke said.

"I feel like we're coming out of a stronger than we went into it," LeDrew said of the COVID-19 crisis. "We're expecting a difficult year next year, but there's a light at the end of the tunnel."

## The Coming Recovery

The COVID-19 crisis is often compared with the Spanish Flu of 1918 and some academics have suggested our lives post-COVID could mirror those of the 1920s, with millions of people seeking out extensive social interactions to make up for lost time.

As the quotes below from wine industry leaders show, though, there's no emerging consensus in the industry yet on the coming recovery, when restaurants will rebound, what the timing will be, or what the so-called new normal will look like.

"Our wholesale business partners are saying they think it's going to take anywhere between three and five years for the restaurant industry to be back to where it was pre-pandemic," Persson with Hess said.

"I think we'll start seeing something more normal in the second half of 2021, after the summer," Fetzer CEO Giancarlo Bianchetti said. "We don't know if the recovery will be a V shaped, U-shaped or W-shaped."

Some think that on-premise activity may come back faster and stronger than many people think. With less travel, people may have budgets to entertain as the recovery kicks in, spending locally in restaurants and bars.

"I just I hope restaurants can hang on long enough," Browne said.

"I was talking to other executives in the industry," Wentz's Amy Hoopes offered. "One said, 'if you think you know, it, don't act like you know, because you don't.' That would be my advice right now about 2021." **WBM**

*"It's hard to plan but you've got to remain optimistic in the wine business. Good times, or bad times, this will pass."*

— **Bob Torkelson**,  
CEO, Trinchero Family Estates

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