

CONFERENCE SUMMARY

Wine and Spirits Sales in a Post-Pandemic World



Vinexpo America | Drinks America
MARCH 9, 2022

Presented by

Wine Spectator
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INTRODUCTION

This is a recap of “Wine and Spirits Sales in a Post-Pandemic World” presented by Wine Spectator and Whisky Advocate at the at **Vinexpo America | Drinks America on March 9, 2022.**

Even as COVID-19 continues to impact the world, it is clear that the wine and spirits landscape has been altered forever. Consumer conveniences like online ordering, home delivery, takeaway F&B, and video tastings are likely here to stay. And the balance between off-premise, on-premise and producer retail has been in constant flux. Representatives from these sectors discussed how they coped with COVID and what they see for the future.

JEFFERY LINDENMUTH is the executive editor of Wine Spectator, America’s leading wine magazine. He was previously the executive editor of Whisky Advocate, another publication of M. Shanken Communications, along with Cigar Aficionado, MarketWatch, Impact Databank and Shanken News Daily. Lindenmuth has more than 20 years of experience reporting on wine and spirits for both the trade and consumers.

JAKE TAUB represents the fourth generation of his family to play an instrumental role in the fine wine and spirits realm in the United States, as Director of Business Development at the Taub family’s NYC-based wholesale business, Independence Wine & Spirits (IWS).

In early 2020, Jake had the desire to help bring his family back to their roots as leaders in the New York distribution business, and vastly expanded their presence in this key market with a focus on fine wine. He spearheaded the strategic partnership between their import operation, Taub Family Selections and their wholesale company, Independence Wine & Spirits at the height of the COVID-19 pandemic. Through this initiative, IWS successfully doubled the size of its salesforce, tripled sales revenue, and catapulted the organization to the forefront of fine wine distribution in New York.



MODERATOR:
Jeffrey Lindenmuth
*Executive Editor,
Wine Spectator*



PANELIST:
Jake Taub
*Director of Business
Development,
Independence Wines
and Spirits*



PANELIST:
Christy Frank
*Owner,
Copake Wine Works*



PANELIST:
Derek Correia
*President,
ReserveBar*



As IWS continues to evolve, Jake has taken on added responsibility at his family's proprietary California wineries, Saracina in Mendocino, and Taub Family Vineyards Napa, both in national sales efforts and in the direction of vineyard sourcing and winemaking with the aim of creating gems and highlighting the unique terroirs within these regions. Today, he is an integral voice for his family's companies, which also include top importer Palm Bay International.

Jake graduated from Cornell University's College of Agriculture and Life Sciences in 2019 with a concentration in Business, Viticulture and Enology. Throughout his studies at Cornell, Jake spent extended semesters on the ground both in France and Italy, learning the intricacies of winemaking and the dynamic business of wine from those countries' greatest vigneron. After graduation, he spent time on the right bank of Bordeaux working for the Pomerol properties of one of his greatest mentors, Christian Moueix. These included Château La Fleur-Pétrus, Château Trotanoy, and Château La Grave.

CHRISTY FRANK is a leader of the independent wine retail scene. Her original shop, Frankly Wines, sold in 2017, was often touted as one of the top small wine shops in the country. She is the founder of Copake Wine Works in the Hudson Valley/ Berkshires region and writes for various industry publications. During her 20+ year tenure in the industry, she has worked in all three tiers, including a seven-year stint at Moët Hennessy USA, the wine and spirits division of LVMH Moët Hennessy Louis Vuitton. Christy has served on The New York Times "Wine of the Times" Tasting Panel, Wine & Spirits tasting panels and has served as a judge at the TexSom Awards. Her shops have been recognized by publications such as the Financial Times, The New York Times, Grub Street, and Food & Wine. She is an Advanced Sommelier with the Court of Master Sommeliers, holds a WSET Diploma, is a member of Les Dames d'Escoffier and serves as a mentor with the Bâtonnage Mentorship Program and The Roots Foundation.

DEREK CORREIA oversees marketing, technology, strategy, innovation, analytics, and business operations at ReserveBar. Derek's brand

management, marketing, and product innovation career span 30+ years across Fortune 500, private equity, and start-up companies. Prior to joining ReserveBar, Derek was a senior marketing executive with PepsiCo and Diageo, held CMO roles in the luxury travel and medical industries, was global strategy lead and head of the New York office of Grey Direct and CEO of Source CxM, an industry leader in digital and direct marketing, CRM, promotions, and customer experience.

Pandemic's effect on online ordering vs retail

Lindenmuth kicked off the discussion asking Correia for insights on the pandemic's effect on online ordering. Correia noted that, while it evolved during the pandemic, there was an immediate spike in the beginning when the only place to get beverage alcohol was online, which drove adoption significantly.

Initially, consumers ordered beverages they were used to buying in the past. As the pandemic wore on, and people were spending their time at home, they began experimenting with mixology, making cocktails at home in a low-risk setting—in contrast to making them for company—and to relieve boredom.

From there, premiumisation set in, perhaps due to reallocating unused vacation dollars. People who were accustomed to drinking \$20 wines went to a \$40 bottle or upgraded spirits purchases.

Correia noted that online ordering lends itself to this kind of exploration and discovery when the consumer has more time than in a retail setting where they may feel rushed or do not want to ask questions and appear uneducated.

Lindenmuth asked Frank how her retail business pivoted to meet the changing needs of consumers who were temporarily unable to walk into a store for advice on their purchases.

Frank noted that customers of local retailers are buying more than beverages; they are buying a point of view and a relationship. Small retailers are often selling wines that do not have a marketing



department and do not want one. Instead, the store owner serves that role.

The challenge was to determine how best to bring that experience online, and quickly. For many shops, the technology was not the hard part. There are resources to get a website up with descriptions, photos, tasting notes, and to take the in-store merchandising online.

More challenging was putting an ecosystem together to work this way for an ongoing period. There were staffing challenges that begged the question: does that wine need to be delivered right now? Does the customer really need that Pinot Grigio in an hour? Does the store need to be open all the time?

The other consideration was the logistics: How does the store do delivery? How does curbside pickup work?

Small shops became operationally sophisticated in a very short time and realized that the limitations of getting the experience out there were not so much technology or logistics, but regulatory.

Permanent Shift in Behavior and Business

Lindenmuth asked Frank if consumers, now used to interacting with retailers in a virtual world, expect it to continue.

Frank affirmed this, noting that consumers are willing and have become accustomed to interacting with retailers in this way.

Lindenmuth asked Taub to comment as a wholesaler dealing with both on- and off-premise sales, particularly since brands have historically done their brand building on premise.

Taub reported that prior to the pandemic, his company, evolving to specialize in fine wines, was doing about 70% of its business on premise. So, the pandemic created an inflection point within the company which had to pivot quickly to off premise and did so by creating a relationship with Wine.com which became its largest customer overnight.

Taub's company supported Wine.com with storytelling about its products and found that the portfolio perfectly fit the Wine.com platform. Taub noted that in the U.S. 25% of the wine business is in imports. In recent years, Wine.com has seen 55% of its platform sales in imported wines with an average bottle price at \$32. With consumers gravitating toward quality brands during the pandemic, it was an ideal partnership.

Correia concurred that historically, finer brands were built on premise where bartenders, waitstaff and sommeliers are dispensers of education and where guests have the time to discuss wines with friends and family members at table. It is less rushed than in a retail store where the consumer is often wanting to quickly go in and out. The online environment has been able to replicate a lot of the on-premise experience. It is a place where people take the time, lean into education, and, with videos, bring to life mixologists and bartenders. People can learn about ingredients, distillation methods, and the science behind products and their stories. A lot of brands are now leaning more into e-commerce which serves off premise as a way to launch brands.

Amplifying Storytelling Online

Lindenmuth observed that off premise retailers stepped up during the pandemic to amplify the storytelling aspect of the brands they represent. He asked the panel for examples of how this has been manifest.

Taub offered that his company did several online events with Wine.com that included live wine tastings of products that consumers ordered and received at home beforehand. IWS partnered with Rothschild for an online event in Spring 2020. Shortly thereafter, they did a Mother's Day special with Roget, then a collaboration with Sarah Jessica Parker, and others throughout the year. Each event was more successful than the previous one.

Frank offered another perspective, that of "indie" retailers, like her store, which help to build small, lesser-known brands based on the shop owner's point of view that is shared with customers. Already in play pre-pandemic, it has continued to grow

with brands that do not have a national footprint, nor enough product to have one. The independent retailers have upped their game to make a market for these smaller brands, doing it via their websites, through Zoom events and through Instagram Live – just on a much smaller scale.

Correia added that it is important to remember that with his platform, everything drives retail sales because the company does not own or touch any product. So, e-commerce ultimately benefits on-premise retailers, whether chains or independents. He referenced a recent online event he hosted with Outlander star Sam Heughan that drew more than 10,000 people – scalability that does not exist with a field team doing traditional on-premise tastings. He suggested that online events, even for small, up-and-coming brands, could attract 500 people and is a more efficient way of reaching a larger audience. He predicted that even when on-premise events resume, they will live in a symbiotic fashion with online tasting events.

Taub noted a major shift in pandemic era online sales – the widespread availability of some of the

finest wines in the world which, pre-pandemic, had been allocated to high-end restaurants and retailers. The sales channel opened up to be able to sell these wines when restaurants and retailers were closed. The return to traditional allocation is unlikely now that more people have easy access to great wines at prices that are much less than the marked-up wines ordered in restaurants, for example.

Loosening of Regulations

Lindenmuth addressed regulatory concessions that were made for on premise businesses starting in 2020. They varied from state to state and were a necessary lifeline. It included selling wine and spirits to go, selling pre-mix cocktails to go, and loosening regulations – something that has been hard to do in this industry. He asked the group to comment on this.

Correia said that he thought the states did what they had to do to save the restaurant industry. Enabling restaurants to sell wine and cocktails to go was not about deregulating alcohol but saving an





important industry sector. However, his company favors less regulation, and the American consumer is calling for the convenience of e-commerce with less restriction on beverage alcohol. It will be interesting to see how that plays out post-pandemic.

Frank recalled how some restaurants set themselves up as a pantry store, selling bottles of wine and selling food which was appropriate for that time. However, if that is allowed while retailers that have licenses are not allowed to sell food, then those retailers are at a disadvantage. These laws are made without understanding how it works with other laws in place. When it comes to lobbying, the loudest voice wins. A small, independent retailer probably does not have the time to lobby a local representative to explain the complexities. It gets messy.

Supply Chain Issues

Lindenmuth asked the panel to share their experiences with supply chain disruption, noting the bare shelves he had encountered in Pennsylvania where he resides.

Taub noted that as the pandemic hit, his business was transitioning the portfolio to a new distributor with new salespeople and customers, so he had no sales data to project par levels. They were outpacing the sales of the previous distributor and had over ordered due to concerns about tariffs, so did not experience shortages even with increased demand.

Correia commented that issues occurred throughout the supply chain, affecting everything from raw materials to glass to caps, trucking, logistics and shipping. The situation was exacerbated by the concurrent spike in consumer demand. And the premiumisation trend drove more sales of products that require aging; it takes time to catch up with demand. It may be a while before those products are ready to go to market, so it will manifest in price.

Frank added that, because she works with producers that have production levels in the

hundreds of bottles, every day is a supply chain crisis with her and with other indies. Because she was selling a point of view, she would have to find substitutes, for, say, a Sancerre that she could sell for \$22 a bottle. Point of view is more important than a particular brand in this instance.

Post-Pandemic Expectations

Lindenmuth came back to the idea that consumers have been willing to try new things over the past two years and wonders if that will continue.

Correia answered that the habits that will persist in a post-pandemic world includes premiumisation. Once one goes from a \$20 wine to a \$40 bottle, or upgrades from a \$50 scotch to a \$100 scotch, it is hard to go back. Another expectation is the convenience and selection available with e-commerce, offering, for example, 150,000 KUs instead of a few hundred or even a few thousand at a big box retailer. E-commerce has lagged consumer package goods and other categories because of the regulatory environment. It is not because the consumer does not want these things.

Taub agreed that e-commerce shopping is here to stay as is premiumisation.

Frank agreed that through e-commerce, retailers can reach customers well beyond the sales floor. Customers are now more willing to buy and spend more online and will want to be able to get wine from anywhere direct from the producer.

The Beverage Alcohol Mix

Lindenmuth asked how the product mix and price point changed with wine, beer, and spirits.

Taub said his company saw success in every category of wine (they do not sell beer) during the pandemic, from value wines to premium vintages and in high-end American whiskey as well.

Correia agreed and commented on the explosion in popularity of hard seltzers and RTDs. Part of this is due to people deciding to drink less or drink

healthier – particularly the younger generations who may be looking for drinks with fewer calories.

Frank saw people spending more, experimenting, and wanting to know more about what they were buying and consuming, in some cases, wanting to know not just what was in the bottle but how it got there and who picked the grapes, and, with that, why things cost what they do.

The Perfect Transaction

Lindenmuth asked panel members to articulate their vision of the perfect transaction.

Frank said that in her dreams, she can sell a bottle to someone who has found her from anywhere. But her ideal transaction is one that is the beginning of a relationship.

Correia's definition is a transaction where the customer has an amazing experience shopping and buying. They get exactly the product they want. It is transformative for them, and they keep ordering online.

Taub defined it as a connection their salespeople—they call them vital wine specialists—make when they call on a store and build a long-term relationship with a customer and their consumers.

Future Prognostication

Lindenmuth asked panelists to look into the future and project what they see for the industry.

Correia suggested content to commerce and shoppable video, noting a McKinsey & Company statistic that says in China, there will be \$425 billion in commerce happening on shoppable video. An icon or thumbnail of the product is floating there with a call to action and people can buy on their phones. It is bringing the cart to the customer. It is frictionless. Pairing beverage alcohol with other products offered online, like flowers or food, is the next opportunity. It is meeting people in the moment where they are inclined to make a purchase.

Frank noted that regulations currently stand in the way of the frictionless beverage alcohol economy. There are customers in all 50 states who want the 500 wines she sells, and they cannot all get them at this time.

Taub noted that the permanent changes going on in the retail landscape have helped them to look internally to figure out how to be the best distributor, importer, and partner to their suppliers and to be able to bring the consumer as close as possible to the winery. They do it through education, information and offer everything that they can do to properly represent their winery partners. ●

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