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## Small Wine Producers Are Being Shut Out of Restaurant Sales

The restaurant industry has had it rough in the last year, and in turn so have restaurant wine sales. In 2016 Technomic projected wine sales in restaurants at just 2% growth, and expects the actual number to be even lower due to the further drop in same-store sale and traffic, per Silicon Valley Bank's (SVB) State of the Industry report.

Looking at the decline in restaurant wine sales from the consumer perspective, SVB's Rob McMillan claims that for millennials, it's simply because they don't want to pay restaurant markups. "They know they can buy a bottle of wine off-premise for less, so in the restaurant they are more likely to satisfy their consumption needs by starting off with a beer or cocktail and having a glass of wine with dinner," writes Rob. For baby boomers, Rob says retiring and living on fixed incomes is affecting their on-premise choices.

V2 Wine Group president Dan Leese said in the annual SVB webinar that declining sales may have to do with how wine lists are presented to consumers. "National on-premise chains have not shown the creativity for wines by the glass that they've shown for craft beers and cocktails," he said.

**SMALL VS. LARGE SUPPLIERS.** But it's not all bad news, particularly for large suppliers who sell red varietals and blends. Wines at a production level of more than 250,000 cases actually showed improvement in restaurant sales year-over-year, largely thanks to better access to distribution, according to Rob. And the only category showing growth is red varietals and blends in the \$25+ segment, which shouldn't be too surprising after our coverage of the red blend trend yesterday [see [WSD 01-19-2017](#)]. Wente Vineyards president Amy Hoopes suggested during the SVB webinar that consumers "want wine that's going to be consistent and has some familiarity," which may be helping the larger suppliers.

Restaurant sales are a different story for smaller wineries. Rob goes so far as to say that "the small wine producer is being shut out of restaurant sales entirely." The largest obstacle that the small wine producer faces is attracting distribution, according to Rob. So what's a small supplier to do?

**SMALL SUPPLIERS MUST LOOK TO DTC.** "Small producers would have been put out of business long ago without the subsequent evolution of direct shipping," said Rob. In this context, a small producer is defined as less than 100,000 cases in annual sales. Rob says direct-to-consumer sales is a "large and critical part" of a small winery's revenue base. All SVB webinar panelists agreed that smaller wineries can improve in their direct sales efforts.

The main issue is how to connect with consumers outside of the winery's general area, according to Rob. "If you're thinking at this point you're going to grow your direct [sales] by actually getting more people within that region, you're kidding yourself," he said. "That's the general disconnect we're looking at," added Paul Mabray, vp social media & reputation for Avero, "[small wineries] are good at selling when [the consumers] are right there, but it gets harder when they've walked out of the tasting room."