

WINE & SPIRITS DAILY

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Rewriting the Book on Winners and Losers

Dear Client:

The wholesale and retail landscapes have been changing swiftly lately rewriting the list of winners and losers as it does. Success isn't always dependent on size anymore, it's more often about who can adapt the fastest. In a new report, the Rabobank teams lists some of the industry changes they thinks are having the largest impact.

NEW DISTRIBUTION OPPORTUNITIES. Two significant results from the ongoing distributor consolidation trend are 1) new business models like Liberation Distribution are springing up, and 2) smaller wholesalers are expanding their respective footprints.

You may recall, this year The Winebow Group recently expanded into Oregon; Wilson Daniels acquired Oregon-based Galaxy Wine Company; and Concha y Toro fully acquired Excelsior Wines.

Meanwhile, LibDib is a web-based alcohol distribution platform, which has a traditional distributor license (minus the warehouses and trucks) and connects small suppliers to retailers. It's currently available in California and New York where self-distribution is legal, but plans to expand soon through partnerships with traditional wholesalers.

OFF-PREMISE DISRUPTION. New business models at the retail tier are also making big waves.

Rabobank highlights Total Wine & More as one of the more disruptive retail models, particularly for more established brands because of its heavy reliance on retailer-exclusive agreements. But it's been a nice foothold for small and medium-sized brands that work exclusively with the retailer for healthy margins.

With a store count of over 150 locations spread across 23 states, Total Wine "has become an important means for small suppliers to access a market that otherwise can be very difficult to penetrate," writes global strategist Steve Rannekleiv.

Meanwhile, e-commerce alcohol sales are still a tiny percentage of total grocery e-commerce sales--accounting for about 0.7% of total online grocery sales--but Rabobank says there's plenty of room to improve online marketing for alcohol brands.

The threat for grocers (and suppliers) is that it's unclear whether or not consumers will make the effort to get the wine through other channels or reduce how much wine they're purchasing.

"There is a whole new learning curve ahead on how to effectively market to consumers online...Future success will depend on whether or not companies embrace these changes and make the appropriate changes to their business models," writes Steve.

CAPITALIZING ON WINERY VISITS. Strong e-commerce capabilities are also becoming increasingly important for the direct-to-consumer channel. In key wine regions like Napa or Sonoma, local councils are trying to contain the growth in tourism by limiting traffic and noise. As a result, "it becomes increasingly difficult to drive sales growth solely by increasing the number of visitors to the tasting room," writes Steve.

Instead, wineries should drive more growth from the existing customer base. Wineries that had successful e-commerce programs were also successful at DTC, per a recent WineDirect study.

"It may be time for wine companies to reassess their strategies for bringing their brands to market in order to be sure they are prepared for tomorrow."