

# Wineries turn to online sales to avoid getting crushed by the COVID-19 pandemic

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Susan Tipton began making wine after she and her husband settled on an 18-acre property in Acampo, California in 2003. Inspired by a trip to the

Southern Rhine region of France where she first tasted Châteauneuf-du-Pape wines, Tipton planted rows of Grenache Blanc in the sandy soil there.

Soon what began as a hobby bloomed into the award-winning Acquiesce Winery producing 4,000 cases a year. But in March, COVID-19 forced Tipton to shutter her tasting room in a 100-year-old converted barn and, overnight, about half of her revenue evaporated.

The nation's \$30 billion [wine industry](#) stands to lose nearly \$6 billion this year, with smaller wineries getting hit the hardest, according to a report prepared for the Wine Institute by Jon Moramarco, editor and partner with the Gomberg-Fredrikson Report.

Wineries producing 1,000 to 5,000 cases a year could lose 47.5% of their revenue in 2020 due to tasting room and restaurant closures. Those producing fewer than 1,000 cases could see a 66% plunge.

Rather than see revenue dry up, many wineries are doing something they've resisted for years. They're spiriting more of their business into the digital realm, blending internet savvy with the age-old tradition of winemaking and selling, says e-commerce expert Paul Mabray, CEO of Emetry.io, a customer insights platform for the wine industry.

"We are the last industry not to be changed by the internet in a meaningful way. Now wineries are learning on the fly," Mabray says.

At Acquiesce, customers, some of whom had never before purchased wine from the winery, are loading up on bottles and cases online. Last year, e-commerce made up 3% of Tipton's sales. So far in 2020? 10%.

So these days, Acquiesce's sommelier, who's usually on hand to make wine and wine pairing suggestions in the tasting room, is leading "Somm

Thursdays," on YouTube while Tipton is trying her hand at Instagram Live. And a new marketing firm is helping the winery strategically place Facebook and Google ads.

"Any kind of spend that we would normally put into the tasting room with events and wine club pick-up parties, we are now putting into digital," Tipton says.

Cooped up at home, people are cooking more or they're meeting up with friends for Zoom cocktail hours to take the edge off. On Etsy, homeschooling wine glasses—"Because distance learning"—are a hit. And with so many of life's luxuries indefinitely postponed, even the most casual oenophile is making room in the budget for a nice vintage or two.

Shopping carts are brimming at wine retailers and on Drizly, Doordash, Instacart and other mobile apps. Shoppers are also clicking on or tapping their favorite wineries or they're discovering new ones. And this could be the status quo for some time as many people stay home and raise their glass at their dining room table, says Rob McMillan, executive vice president and founder of Silicon Valley Bank's wine division.

"Restaurants and tasting rooms will be forced to have fewer visitors, even if visitors are comfortable coming," McMillan says. "You just can't do business the way you did before. You have to do it in new ways."

## **During COVID-19 pandemic, people are buying wine online**

According to research firm Nielsen, wine sales for the week ending May 9 were up 267% year over year. With COVID-19 lockdowns, more people are buying that wine online from the comfort and safety of their

homes and having it delivered to their doorstep, says Max Miller, president of Naked Wines, a major online retailer.

"At Naked Wines, we saw unprecedented growth in demand for the product," Miller says. "And we are not really seeing any reversion back to what it was pre-pandemic."

At Wine.com, revenue has quadrupled to more than \$1 million a day since March 28, says the online retailer's chief executive Rich Bergsund. April revenue topped \$40 million and Wine.com expects to bring in \$100 million this quarter. And the company has hired 500 people and tripled its marketing spend.

## **With tasting rooms closed, wineries are reaching out online**

Some wineries were already prepared for this sudden shift to online buying.

"E-commerce was coming for the wine industry whether the wine industry wanted it to or not. It just got expedited by COVID-19," says Justin Noland, who was hired two years ago to lead digital strategy and e-commerce at Wente Family Estates in California's Livermore Valley. He says he was shocked when, at an industry conference, winemakers debated whether to use Google Analytics on their websites.

"The wineries that were more prepared to pivot to digital have done better in COVID-19," he says, "and they are poised to do better after COVID-19."

At Wente, virtual tastings with Alexa or Google Home let people focus on the wine and each other, not a screen. The Wente Family stars in

"Wine Wednesday" Facebook and Instagram Live episodes. And #MakeTime Bingo reminds people to take time to read a book (and have a glass of Wente).

"You can learn about the winery, the grapes, the winemaking techniques and the people behind it all. You can buy the wine you love or you can explore a huge range of small lot production wine you'll never find in a store, and you can do it in pajamas from the comfort and safety of your home," Noland says.

Wente is also going where the demand is. In March when Pennsylvania closed liquor stores because of COVID-19, the winery targeted social media ads to the state's residents, shipping caseload after caseload.

At Duckhorn Wine Company in St. Helena in California's Napa Valley, online sales are up about 250%, says Carol Reber, its chief marketing officer.

The winery is bringing the wine country into people's homes, with virtual tastings for groups led by a winemaker. About 10,000 people have tuned in so far to watch Napa Valley chef Natalie Niksa of La Saison whip up seasonal recipes from chicken enchiladas with Rancho Gordo beans to maple-glazed bacon meatloaf with sweet potato mash and pair the dishes with Duckhorn wines.

Duckhorn has also been turning to social media to lure new wine club members with handcrafted wines you can only buy a few times a year. The member services team is on hand 24 hours a day to offer that same personal touch. And free shipping for wine club members and \$5 flat-rate shipping for everyone else has also appealed to online shoppers.

## **Wineries turn to Facebook and Instagram to buoy**

## **sales**

Paul Leary, founder and principal with Assemblage Consulting Group, says wineries have for years believed that customers should come to them. Now small and mid-sized wineries, which historically relied on tasting rooms, where patrons try wines, make purchases and sign up for wine clubs, are scrambling to expand online sales.

"Because no matter what health pandemic or economic recession, ultimately the goal of any winery selling direct to client is to have a slot in the client's home," Leary says. "With restaurants, hotels and all special event venues shut down or at limited capacity for the foreseeable future, there is no better chance than now to build on this winery-to-client relationship."

## **Online sales help but the internet won't be a panacea, proprietors say**

Baiocchi Wines, which usually sells 80% of its inventory through its tasting room in Sutter Creek in the Sierra Foothill Wine Region of California, had to make some quick changes after COVID-19.

On March 17 when six Bay Area counties locked down, owner and winemaker Greg Baiocchi launched a special promotion on Facebook, Instagram and Twitter for a three-pack of red blends using the #ShelterInPlace hashtag. Then he teamed up with the Sacramento chapter of Feed the Frontlines, which delivers free meals to healthcare workers and first responders, donating 10% of each \$100 wine pack of wine he sold to the nonprofit.

"What we have learned through this is that we should be focusing more attention online," Baiocchi says. "I've always done it on a regular basis.

This has taught me I should be doing it with more frequency. It just puts you in front of people more often and gives them a reason to purchase your wine."

Last October Anaba Wines, a sustainably farmed, wind-powered winery in the Carneros Region of California's Sonoma Wine Country, put the finishing touches on a new hospitality center featuring fireside seating and a bocce ball court to bring more visitors to the winery.

Right before the shelter-in-place order took effect in the Bay Area, general manager John Michael Sweazey switched all of his winery's spending from driving foot traffic to e-commerce sales.

Shipping and other promotions have produced sales from new customers, so have virtual tastings. On Sundays, he and his wife, an Italian cook, create Instagram stories, pairing [wine](#) with homemade bolognese or with focaccia and cured meats and cheeses.

So far, Anaba Wines has topped last year's sales. "If we were just an e-commerce business, if we hadn't built a tasting room at all and we were starting this from scratch, I would say this could turn into something great," Sweazey says.

Urban Legend Cellars in Alameda, California, which produces 2,000 cases a year, quickly gained popularity for its upscale tasting room and sunny outdoor patio with expansive views of San Francisco.

"In early February, we knew a tsunami was coming in," says Steve Shaffer who, with wife Marilee Shaffer, runs Urban Legend Cellars. Steve Shaffer used to work in tech and Marilee Shaffer in biotech, so in four days they ramped up their online operations. They're offering virtual tastings, special packages and free shipping.

"Right in the midst of the shutdown, we pivoted," he says. "That has enabled us to really come very close to where we were pre-COVID."

But he worries about the ongoing effects of the pandemic on small wineries. The internet, he says, is not a panacea.

"We are still scrambling to figure out what to do," Shaffer says. "We have a wonderfully loyal customer base, who have just been amazing and I love them all. The problem is that we no longer have our major vehicle for introducing people to our wines. Our major marketing arm is the tasting room and that experience."

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