



## **5 Ways the Beverage Industry Has Been Impacted By COVID-19**



## Introduction

In March 2020, vineyards locked their front doors and restaurants were forced to shutter in-person dining due to the quick spread of COVID-19 and state governors issuing massive stay-at-home orders.

At the time, many hoped the closures would last just a few weeks, and then life would resume as normal. But as the days continued without in-person diners, wine bottle sales at restaurants from plummeted. Vineyards lost revenue from in-person tastings. And champagne bottles and premium wines sat unpurchased in liquor stores.

The pandemic has presented unprecedented challenges to businesses around the globe, including the beverage industry. But it has also presented new opportunities to rethink the way “normal” business is conducted. In this white paper, we’ll examine some of the most significant impacts that COVID-19 has brought to the beverage industry and look at how analytics can help these businesses navigate the challenges.

## 1. Americans Are Drinking More Than Ever

With bars and restaurants closing during the pandemic, the liquor and wine industry feared alcohol purchases could plummet.

Luckily for Americans (and the wine and spirits industry), most governors deemed liquor stores and on-demand delivery services such as Drizly “essential” services.

The week of April 11, online beverage sales were up 387% compared to the week prior. As Americans sit at home, they’re drinking more than ever to pass the time. While fears of millennials hating premium wine and being too health-conscious have plagued the industry, it turns out that people staying home is good for business.

Wine sales led the pack among sales for alcoholic beverages, growing 36.5% Easter week compared to a year ago, and up 5.2% from the previous week.

### Online Wine

Restaurants, brands, and liquor stores responded to the stay-at-home-orders with curbside pickup, online ordering and delivery, and free wine with dinner. Deliveries shot up to 70 a day from 20 for one New York City liquor store.

Americans have turned to Drizly, an alcoholic delivery company that partners with liquor stores, to receive contactless deliveries. Drizly’s new customers grew 1,600% in year-over-year numbers at the end of March, according to The Hill. In May, Drizly saw sales growth of above 400% on average. During the week of May 17, sales were up 391% compared to what Drizly projected for this time period. The average order size also increased 50%.

“Over the last few weeks specifically, consumer awareness of the alcohol e-commerce category has exploded as more and more turn to delivery services as a safer alternative,” Drizly CEO Cory Rellas told The Hill. “We firmly believe that this will lead to a dramatic shift in consumer behavior for the long term. [Consumers] plain and simple will expect this level of service.”



## 2. Enotourism Will Be Down For 2020

Nearly 4 million visitors a year descend on Napa Valley to try the latest vintage of Cab. But in 2020, those numbers will surely plummet since vineyards were closed for three months. Even with the reopening, many customers are hesitant to travel.

The U.S. Centers for Disease Control (CDC) recommends wearing masks and continuing to adhere to social distancing protocols, so the luxury of tasting wine in Napa may be lost.

Wineries will need to get creative to get customers in the door for the foreseeable future.

“There’s no question that this moment marks an important inflection point for California wine. The forecast for the business was already looking gloomy before COVID-19 arrived: Last year, for the first time in 25 years, American wine consumption didn’t grow,” Esther Mobley wrote in the San Francisco Chronicle.

### *Going Virtual*

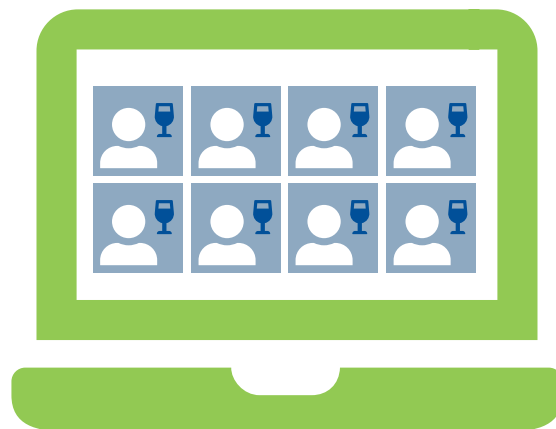
Last summer, it was hard to get a reservation at Wolffer’s Vineyard in Long Island, NY.

This spring, the tasting room remained empty because of COVID-19, but the party was still going on. Wolffer’s winemaker Roman Roth, named one of wine’s most inspiring people by The Wine Industry Advisor, now hosts virtual wine tastings for the Hamptons’ elite and beyond. It’s a trend that’s picking up across the wine industry during the COVID-19 pandemic.

And it’s not only wineries offering a virtual way to cheers. Spirits brands have partnered with celebrities to host tastings for fans and increase brand exposure. Former Breaking Bad co-stars Aaron Paul and Bryan Cranston teamed up to create Dos Hombres, a mescal brand, and virtually hosted a free tasting of their Espadin Mezcal. Customers only had to purchase the liquor.

But even as wineries and distilleries reopen, are virtual tastings be here to stay? Facebook and Instagram Live participation continues to grow, and because some customers are still apprehensive of going out in public, there could be an appetite from customers for ongoing live tastings.

Vineyard and spirit brands have been planning their own virtual tastings or pairing with marketing giants such as Wine.com. Some brands have created tasting packages that mirror that of the tasting that would have usually happened on-premise, or packaged something new to attract repeat customers.



### 3. Coronavirus Is Changing Liquor Laws

Many states forbid shipping alcohol, halting delivery giants' such as Drizly's growth and direct-to-consumer efforts from wineries and distilleries.

During the pandemic, residents tried to stay home, but the demand grew for happy hours at home and delivery.

Drizly even worked with local officials to pass bills quickly to get Americans their drinks. Changes in liquor laws are excellent news for the industry.

"There's probably five or six states that are actively reaching out right now saying, 'how do we get up to the status quo of some of the other states who have done this,'" Drizly CEO Cory Rellas told The Hill. "I actually think this is something that is going to be a much longer-term shift, so we need to set this up correctly."

For example, in late May, the Michigan legislature reviewed and passed a bill that would allow not only alcohol delivery, but also for patrons to purchase to-go cocktails from restaurants. Michigan customers could previously order unopened wine or beer to go, but not hard liquor. The bill is still pending in the house legislature. While this would be great news for consumers, it would be even better news for businesses.

"We've seen statistics where a vast number of these bars and restaurant owners are likely to be out of business ... if we don't act," State Senator Aric Nesbitt, R-Lawton, who sponsored the bill told MLive.com. "The goal of this bill overall is to increase flexibility and opportunities for them to recover from this shutdown that they've endured."

Under the bill, Michigan city and town governments can create designated "social districts" where people of legal drinking age could purchase to-go drinks from adjacent bars and drink them off-premises as long as they remain in the designated area—and stay socially distanced, of course.

#### CHANGE IN LIQUOR LAWS



## 4. Coronavirus Is Changing What Liquor Stores Are Selling

Customers have been asking, "How much is that vodka in the window?"

Liquor stores have now changed their window displays to showcase what's in the store to help with social distancing and keep headcount down in small stores.

"We normally have around 30 bottles in the windows, but we wanted to give customers a good shopping experience," Courtney Klukow, a manager at McCabes Wines & Spirits on Manhattan's Upper East Side told The New York Times. "The way it's set up now, we can talk to each other at the entrance to the store, and they can tell us what they want. If someone has placed an order, we take their name and hand them the bag. Others call us while they're standing outside."

During the pandemic, there hasn't been much to toast to. Customers stopped buying champagne and sparkling wine, and instead reached for the cheaper vodka. Millennials, in general, stay away from premium wine.

Liquor stores have been forced to change the orders they place.

"People are buying more hard liquor, especially vodka because some customers believe it kills the virus," Chandra Loknauth, a saleswoman at Dr. Wine in New York City, one of the hardest-hit cities in the early months of the pandemic, told The New York Times. "People are buying more than what they need. Before they bought one or two bottles. Now it's four or a case. They're afraid we will close, and then what will they do? They're coming in more often, too."

Juan Quintero, a partner at Whiskey and Wine in New York City, told The New York Times, "People are buying more, but cheaper and commercial stuff. They're not willing to take a risk and try something different right now. Rather than spend \$30, they're spending \$12 on a bottle. They're worried they're not earning as much, and some aren't working."



## 5. Who's Thriving and Who's Not

Big companies that sell to big box stores and grocery stores are cleaning up as Americans guzzle more alcohol during the pandemic. However, smaller companies or brands that sell primarily to restaurants are struggling to meet previous sales numbers.

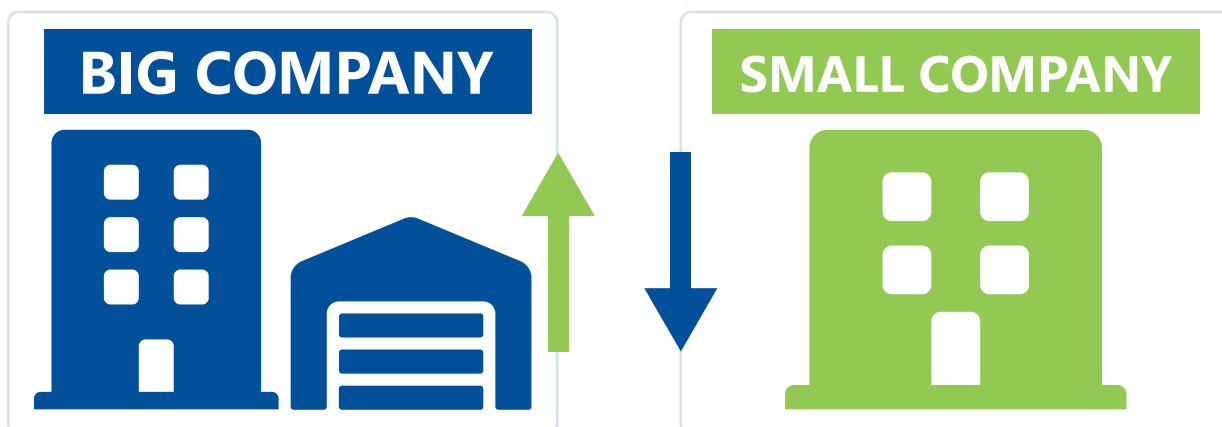
As Juan Quintero told The New York Times, customers are not willing to try something new right now and want the familiarity of a well-known brand.

However, with a national unemployment rate in the double digits, it's unlikely that many will be purchasing an expensive bottle of wine in the global pandemic.

"After September 11, 2001, terrorist attacks and the 2008 financial crisis, the luxury wine market took painful hits. In such times, people don't stop drinking; they just buy less of the expensive stuff," Rob McMillan, who writes the Silicon Valley Bank's annual report on the U.S. wine industry, told The New York Times.

Family-owned vineyards are having to fight for every dollar, re-allocating marketing efforts to their DTC channel (if any even previously existed). And their previous money makers, restaurants, are now giving the wine away virtually for free to get customers to order takeout food.

The New York location of nationally renowned steakhouse chain Del Frisco's offers steak kits to customers, and the option of select wines priced at a discount of 50%. On some of the restaurant's finer wines that run \$400 a bottle, customers can get the bottle for \$200 during this pandemic.



## How Data and Analytics Can Help

The public health risks of the Coronavirus are grave, but COVID-19 is also devastating to the economy. For wine and spirits companies trying to navigate these unprecedented times, turning to data and analytics can provide helpful insights to strengthen their business and make smart decisions to increase revenue.

The right data can help brands track delivery trends. Understanding the time it takes from an order being placed to the time of delivery will help stores provide better service, track what people are ordering, and how much. Analyzing the average ticket size will help brands and stores understand their revenue and revise their 2020 projections.

If a store or brand partners with delivery service Drizly, it can see these stats on Drizly's dashboard and create its own brand page to help promote its products.

For wineries or distilleries struggling to get customers in the door, virtual tastings can engage new customers. After the tasting, you'll have Instagram/Facebook user names to help push/target content and advertisements.

Brands need to mix and match what their selling strategy should be moving forward. Understanding ideal price points, since people are buying cheaper items and shying away from premium products, will be essential. Brands also need to aggressively analyze and understand which promotions are successful are which are not.

By better understanding these trends and using the data available to them, beverage companies will be able to push through this crisis and emerge stronger on the other side.

