

The Data That's Changing Winery DTC

A look into the trends, stats, and key insights that defined 2020 and will define winery DTC for years to come.



2020 was a turbulent year for the wine industry. Although there were many challenges, this year also provided a lot of opportunity. Covid-19 has forced the industry to change and adapt in many ways.

Through this report, our team examines and illustrates the trends, stats, and key insights we've found through analyzing our aggregate data across 420+ wineries in our clientbase.

“

C7 is the best product on the market for POS, eCommerce, and WineClub. The Commerce7 team is constantly trying to find ways to improve process and change the industry.



Anthony Harvell, COO
William Chris Vineyards

Contents

| | |
|-----------|-------------------------------|
| 05 | Clubs |
| 07 | The State of Clubs |
| 09 | Club Performance in 2020 |
| 12 | Club Insights |
| 17 | Ecommerce |
| 19 | Ecommerce Performance in 2020 |
| 21 | Ecommerce Insights |
| 26 | Tasting Room |
| 28 | Tasting Room Insights |
| 31 | Summary |
| 32 | Closing Thoughts |
| 34 | Appendixes |

Clubs

+

+

+

+



“

Hey Ron - I wanted to let you know that your website for club members seems head and shoulders above many others. Yours makes it easy to modify things online. We were trying to modify our membership at another winery and the only option was to phone in or try a Hail Mary email to an info@... account.

At another winery we wanted to modify the wines selected for our membership level pick up and that required an email to the club director. Your website, in contrast, has options to cancel or suspend memberships (very useful I think) and a method to change the make up of the order; most everything is editable.

Nice!

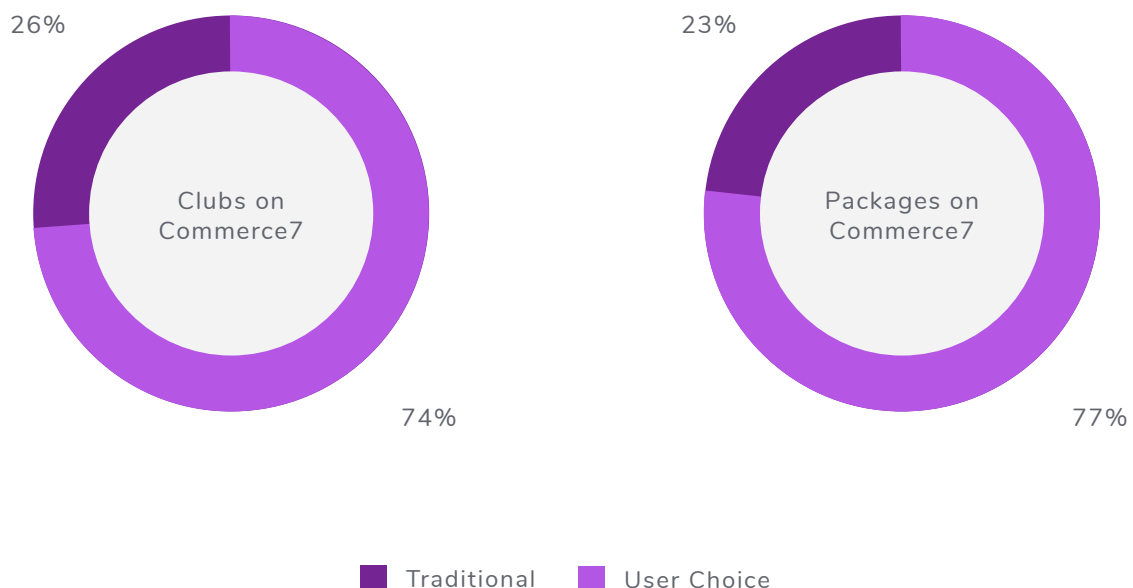


Club Member
Benza Vineyard

The State of Wine Clubs

The wine club is one of the oldest, original subscription services. Although wine clubs are based in tradition, consumer preferences and demands have changed over the years. And many wine clubs have had to adapt to keep up. As large subscription companies in other industries like Dollar Shave Club, Netflix, and Blue Apron began to offer members personalized packages and offerings, consumers now expect personalized products and content more than ever. Many wineries migrated over from a traditional club model to a user choice model in order to keep up with member expectations and demand for more flexibility.

As a result in this shift in consumer demand, the majority of clubs and packages on Commerce7 are user choice.

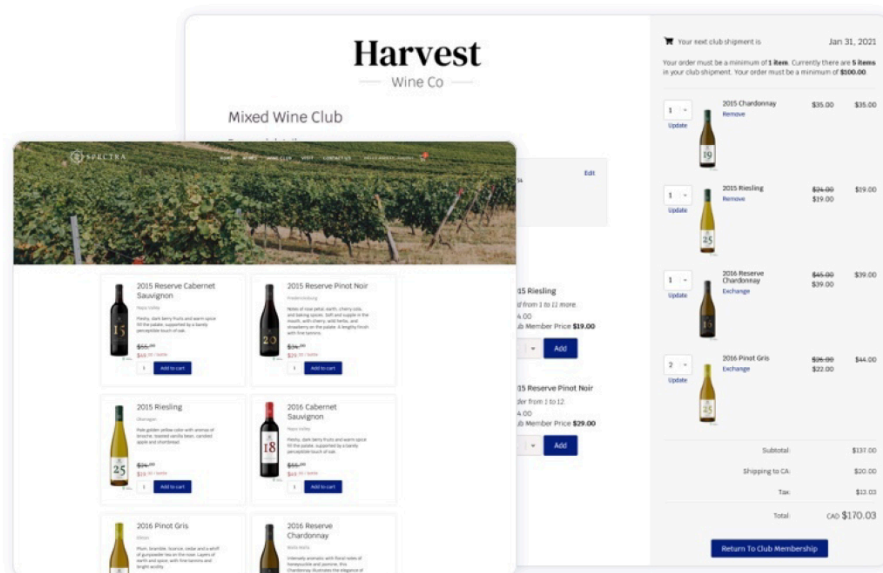


The Future of Wine Clubs

In 2020, it may be time to question if the industry needs to shift again. Consumer expectations continue to rise, and user choice may no longer be enough. A highly flexible subscription used to offer members customization over the products and quantity of products they received in their packages. Now, leading subscriptions in other industries have taken the customer experience even further by allowing members to change shipment frequencies, shipment dates, and by utilizing AI and machine learning to curate unique packages and offerings for members.

User choice was once the leading edge and was the start of club transitioning their focus to becoming customer centric. However today user choice is quickly becoming outclassed by more modern subscriptions that can offer even more personalization and flexibility for members.

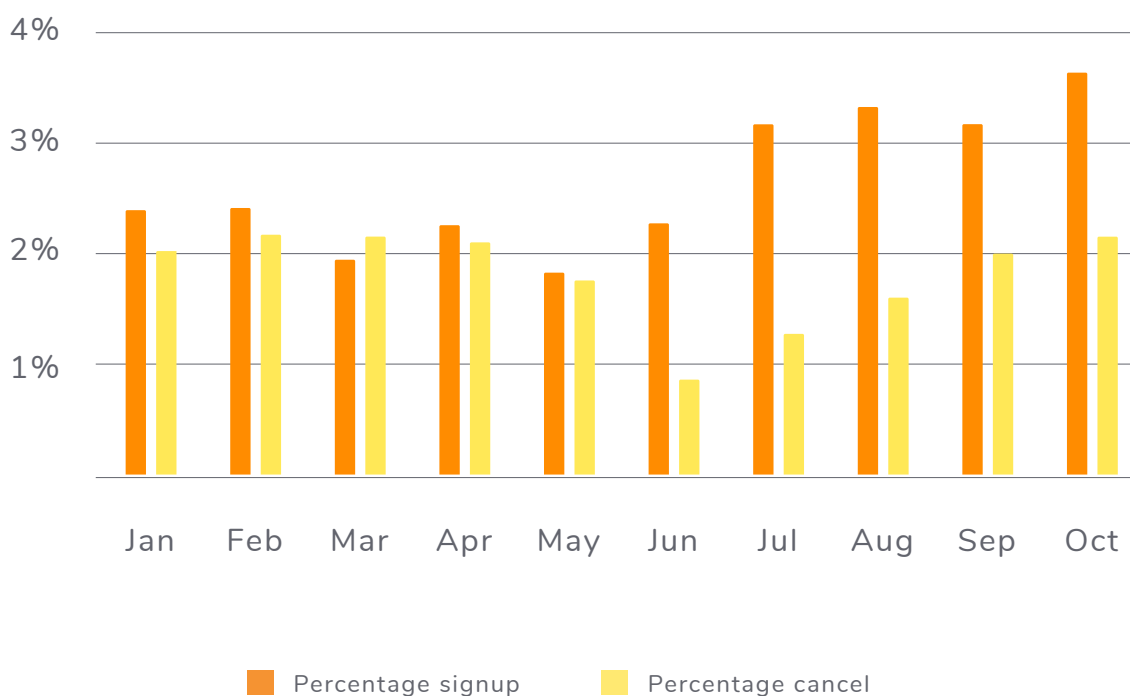
User choice is no longer the best experience for members, and wineries are now starting to look into subscription clubs



Club Performance in 2020

It was a tough year for wine clubs. The wine club is unique in that it is one of the only consumable product subscriptions that relies on a physical location to grow the memberbase. With the Covid-19 crisis this year, acquisition dropped for many wineries in the spring.

Acquisition vs Churn of Active Club Members



Subscription Clubs

Subscription clubs are quickly rising in popularity in the wine industry as a more modern alternative to user choice clubs . While digitally native subscription clubs such as Winc have been around for a while, their massive growth in 2020 can't be ignored.

What's the difference between user choice clubs and subscription clubs?

Subscription clubs

- Customer controls the frequency of their shipments
- Customer controls the specific ship dates of their packages
- All customers start with a package tailored to their preferences
- Customers can add/remove products
- Customers can control bottle quantity

User choice clubs

- Winery controls the frequency of their shipments
- Winery controls the specific ship dates of their packages
- All customers start with the same default package
- Customers can add/remove products
- Customers can control bottle quantity

So far in 2020, subscriptions are dramatically outperforming clubs

March was the only point in the year where wine club churn outpaced acquisition. During this same month, wine subscription company Winc reported a 578% increase in member sign ups.

How are subscriptions performing on Commerce7?

19%

of wineries are trying subscriptions

2%

of C7 members are subscription members

Club Insights

More flexibility for members means more revenue for wineries

When members are able to edit packages, they add more products than they remove thus increasing their order value. We found that on average edited packages had a 20.7% increase in order value. As a winery, you should push to have as many members edit and personalize their package as possible because they are more likely to add more items than they remove.

How many members edit their package?

28%

of members will edit their package if given the opportunity.

20.7%

average increase in club package order value when members make edits

You want as many members editing their package as possible

Get more members editing their packages, drive more revenue

When members edit their package they tend to increase the package order value. We've understood this for a while, which is why we implemented automated 2 day and 2 week club emails on our platform to help our winery clients generate more revenue.

Automatically, all members receive an email about their upcoming shipment that proactively encourages them to make changes 2 days and 2 weeks before their package process date. The result from these emails has been phenomenal. Our clients who keep these emails on, see on average 38.4% of members edit their package, while those who turn them off only see on average 25.2% of members make changes.

Average number of members that will edit a package

38.4%

will edit with
2day/week emails ON

25.2%

will edit with
2day/week emails OFF

The club sales funnel

How early is too early to push customers to become club members, and where are customers becoming members? Through looking at our data, we've found that the average club member made 3.5 purchases with a winery before joining the club. While most wineries rely on the tasting room to grow club sales, we also found that 27% of members on our platform signed up through a winery's website.

Average number of members that will edit a package

3.5

the average number of orders a customer makes before becoming a club member

27%

the percentage of club members who join from the web

Reduce churn by allowing members to edit their packages

Membership churn is inevitable but with consumer preferences shifting, it's clear that the more you make the experience about the customer, the happier they are. We see the benefit for wineries, when members are able to edit their orders, average order value increases significantly - but how does this affect your members and help reduce churn within your club?

The happier the customer, the more likely they are to return. With the shift in the industry, when the experience is customizable, and members can edit their packages - the more flexibility it provides to consumers and keeps them in control.

17.4% average number of members that will churn within a year

Does user choice impact churn?

12.3%

average one year churn rate for members who edit a package

18.5%

average one year churn rate for members who never edit a package

If a member edits their package, the chance they churn drops dramatically

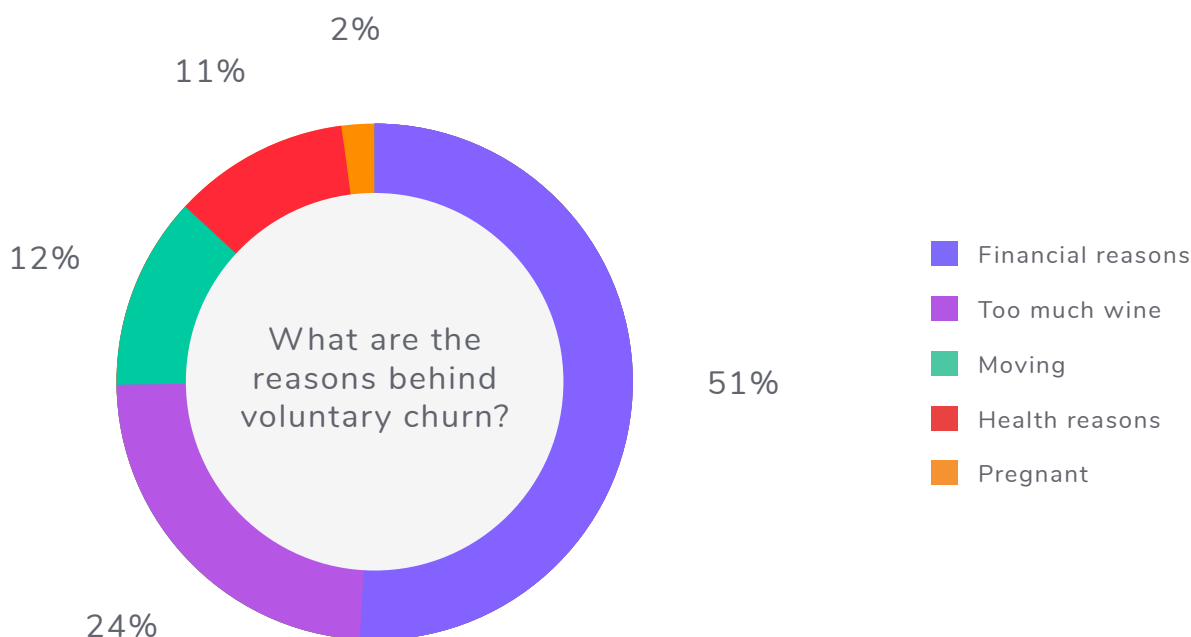
Who's canceling and why?

Like with any subscription service, retention and churn are important metrics to track and improve for wine clubs. With any subscription service there are two types of churn to watch out for: voluntary and involuntary churn. Voluntary churn describes a conscious choice by a member to leave a club (contacting the winery to cancel) while involuntary churn occurs when a member does not intend to leave (payment fails, credit card expired, etc). Across all industries, involuntary churn typically accounts for 20-40% of all churn. In the wine industry, we found an average of 35% of churn was involuntary.

Did they really cancel? Or can you just not bill them?

35% of churn is caused by declined credit cards never being updated (also called involuntary churn)

Commerce7 uses credit card account updater, auto emails on declines, and other tactics to reduce involuntary churn. And while this helps lower churn overall - involuntary churn still happens.



Ecommerce



“

My favorite aspect of Commerce7 is the website customer interface and experience, it's intuitive and leads customers to sales



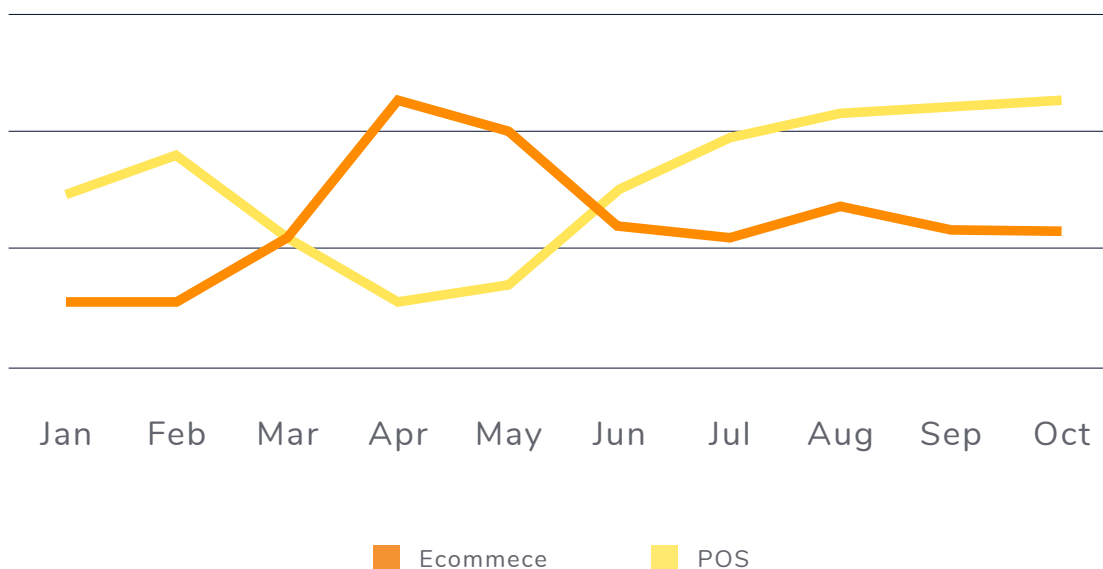
Devin Ruddick, VP of Sales
Hook & Ladder Winery

Ecommerce Performance in 2020

Ecommerce grew significantly across all industries, and wine was no exception. Many consumers ventured out and purchased wine online for the first time. For many consumers, this new purchasing behavior is going to stick.

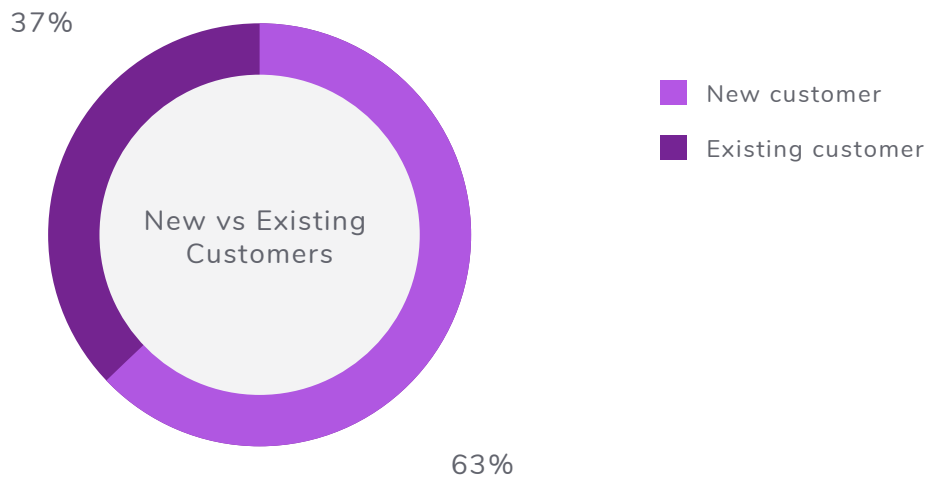
While there was an anticipated spike and pull back for ecommerce sales, during the summer with tasting rooms back open, ecommerce sales remained strong and significantly higher than at the start of the year. A lot of the growth we've seen this year in the ecommerce channel is here to stay.

Ecommerce vs POS Sales in 2020



Where'd the growth in ecommerce sales this year come from?

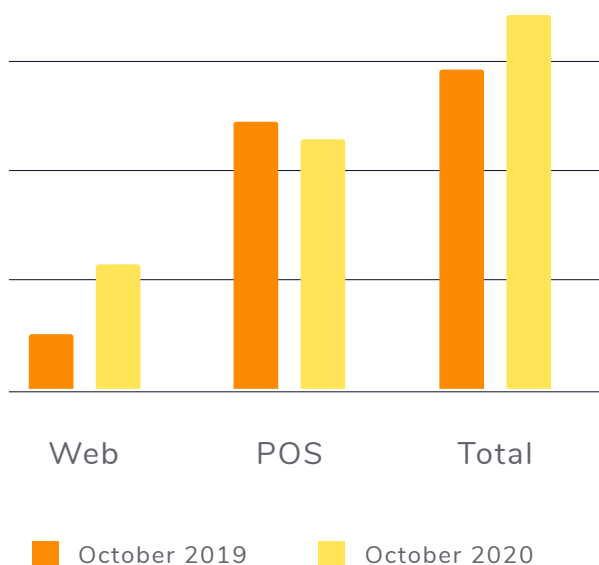
The majority of sales came from consumers buying DTC for the very first time.



Ecommerce growth is here to stay

Ecommerce and POS Sales

October 2019 vs October 2020



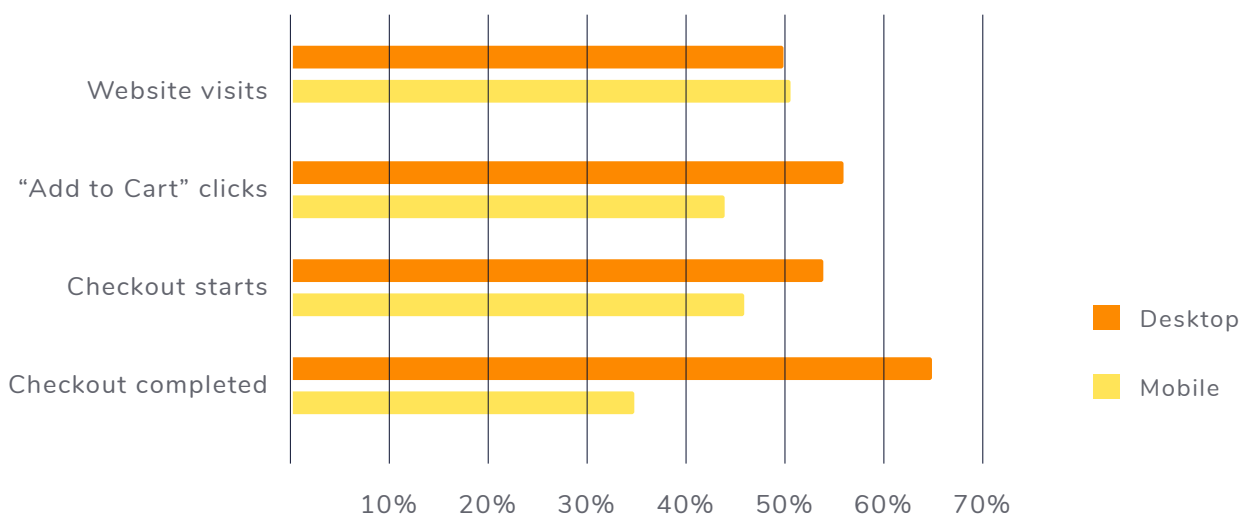
- Ecommerce sales are up 128% compared to last year
- POS sales are down 6.6% compared to last year
- Combined, ecommerce and POS sales are up 16%

**This data only accounts for wineries with two years sales history in Commerce7*

Ecommerce Insights

Desktop vs mobile

As wineries gear up to capitalize on the growth in ecommerce, it's important to recognize the difference in visitor activity on desktop and mobile devices. Although the majority of winery site traffic comes from mobile, desktop still drives more conversions and checkouts. This makes sense as it's much easier to complete a checkout form on a desktop versus on your phone. We need to continue to double down on making mobile shopping experiences faster and easier.



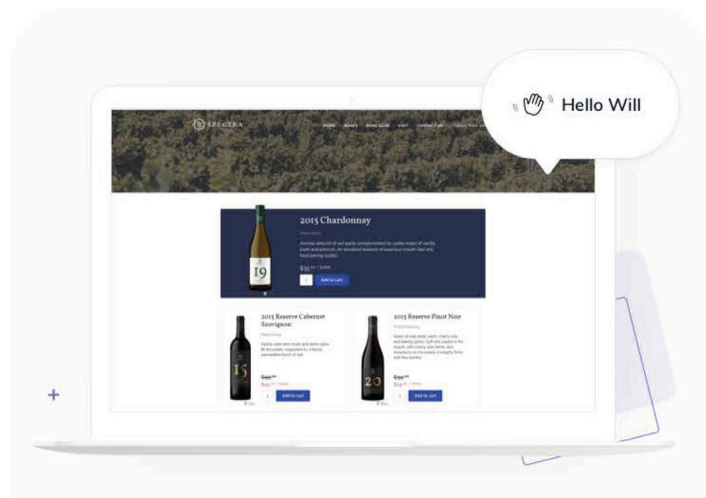
Commerce7 has the leading checkout experience with tools like one-click checkout, but we still need to do better with first time guest checkout on mobile devices.

Personalization

One of the best ways to drive online sales is through personalization. By dynamically changing and tailoring content and products on a website based on who is visiting, wineries have the ability to customize the experience. Understanding customer's unique relationship with a brand gives wineries the opportunity to present more relevant messages and products. In return they will drive conversions, lifetime value, and increase average order value. Commerce7 comes fully equipped with a personalization engine that makes it easy to create tailored experiences and wineries who utilize it see massive results.

- Less than 15% of Commerce7 wineries utilize our personalization tools
- Only 13% of product views come from personalized pages
- Despite these low numbers, 47% of “add-to-cart” clicks come from a personalized page

Personalized pages convert 5.93x more often than non-personalized pages



If you are going to spend money with your website designer, personalization on the homepage and personalization on one or two inside pages is money well spent.

There are an infinite amount of ways to personalize on your website. To not overwhelm yourself, we recommend starting slow.

Personalize based on where your visitor is in the customer journey.

Anonymous visitor

- Share featured products
- Share the story of your brand

First time buyer

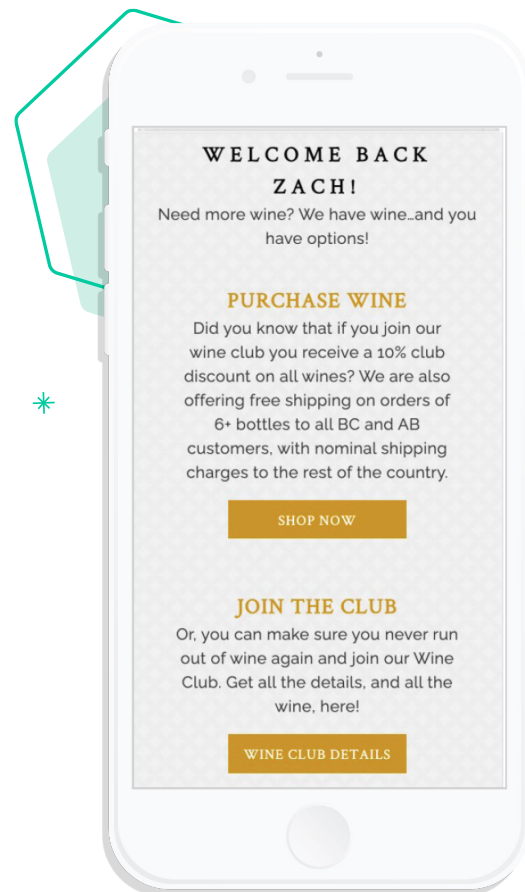
- Greet the customer by name
- Recommend products similar to their initial purchase

Repeat buyer

- Greet the customer by name
- Recommend joining the club

Club member

- Showcase their next package, encourage them to increase order value
- Show club only events and products



Capture more emails in the tasting to sell more online

For years the wine industry has been telling wineries to capture emails in the tasting room. When you capture emails in the tasting room, you have the opportunity to re-market to tasting room visitors and push them to become repeat buyers online once they've returned home. This year, we were able to get some tangible data of the impact that collecting emails in the tasting room has on ecommerce sales. We took all of our clients that had more than 1000+ sales in the tasting room and ranked them in order of how many of their tasting room orders had email addresses attached to them. We looked at the top 10 percent of wineries and the bottom 10 percent wineries in terms of email capture rate and then looked at the percentage of total winery sales the ecommerce channel made up for each segment. We found that the top ten wineries were selling significantly more through ecommerce.

Wineries who capture more emails in the tasting room, sell more wine online.

Top 10 wineries

For every dollar earned in the tasting room, the top 10 earned 78 cents online.

Bottom 10 wineries

For every dollar earned in the tasting room, they earned 15 cents online.

How are wineries capturing emails?

We reached out to the top 10 performing wineries to see how they were incentivizing staff to capture emails in the tasting room. Nobody responded with a gimmick, nobody was financially incentivizing their staff to capture emails. The most common answer was that the wineries made sure their staff understood the “why” behind the importance of capturing emails, then made it a mandatory practice.

Tasting Room



“

Easy to use POS, easy to train employees.

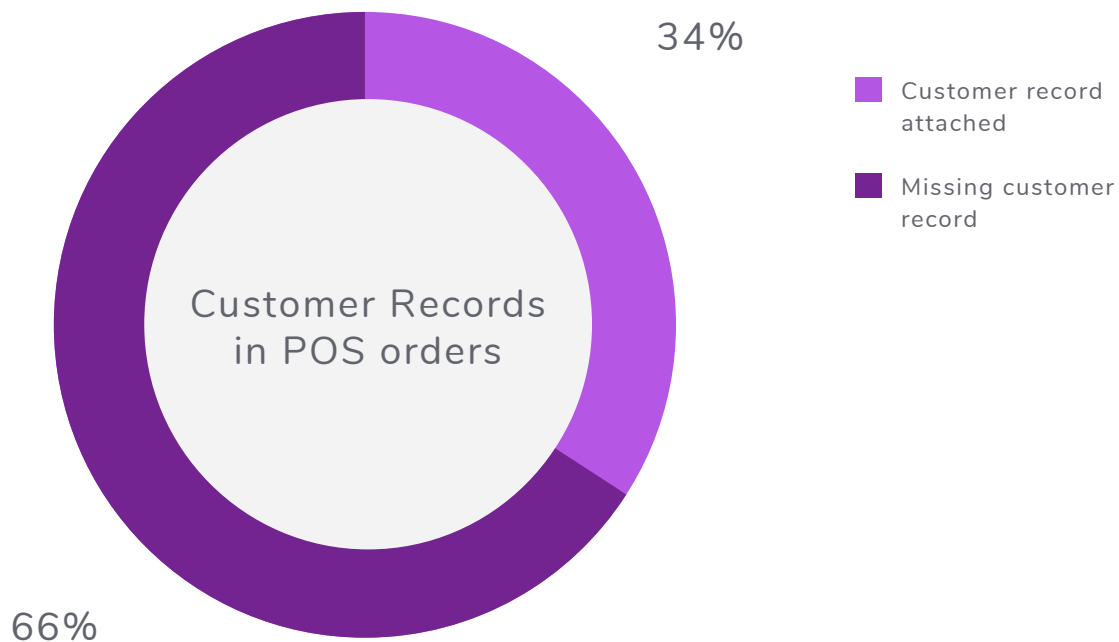


Amanda McBride, Sales Manager
Gordon Estate Winery

Tasting Room Insights

Email capture rate

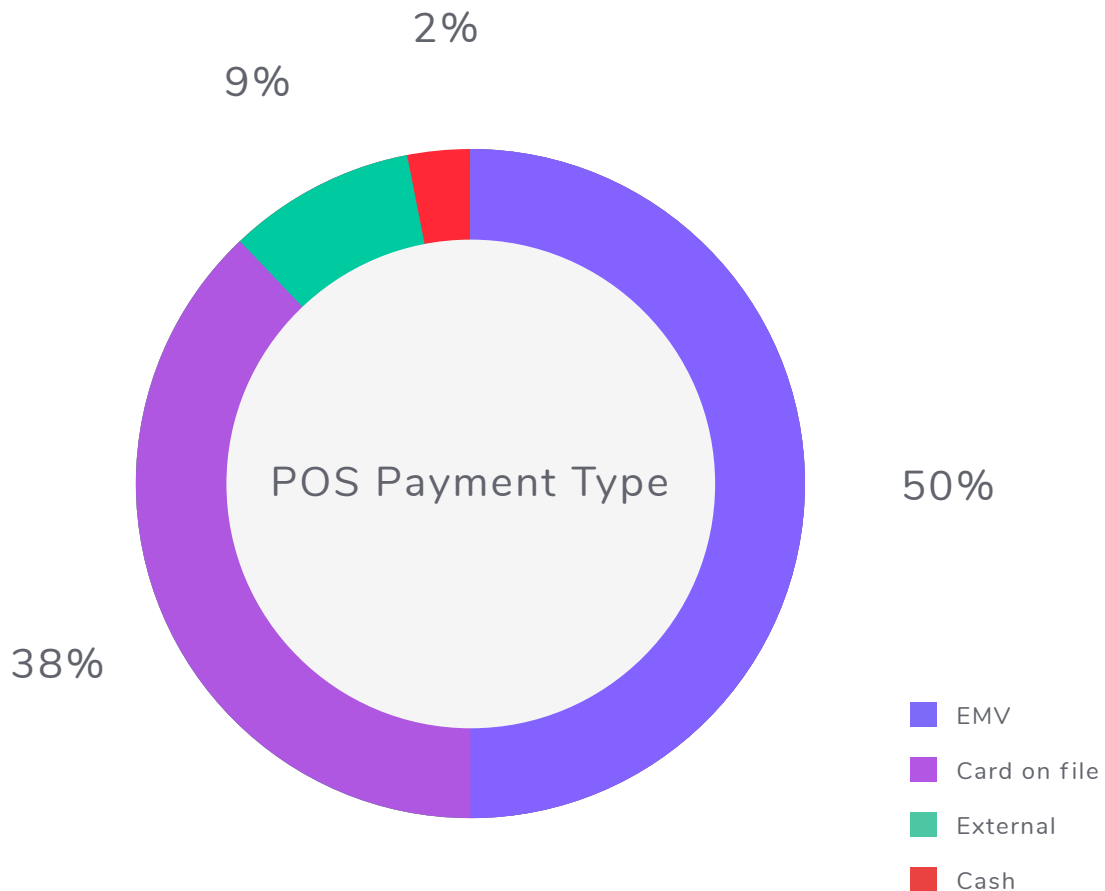
Despite the importance of capturing emails in the tasting room, most orders are completed without ever having a customer record attached.



Only 34% of POS orders have a customer record attached. Wineries missed the opportunity to remarket to 66% of their tasting room customers.

How Are Customers Paying?

More and more customers are opting for cashless payment. EMV hardware, mobile payment options (Apple Pay, Google Pay, etc) and paying with a card on file were the preferred methods of payment for the year. These options are often more convenient and with Covid-19, these options have been viewed as a safer more sanitary option.



Club members in the tasting room

A third of tasting room orders
came from club members

33.9% of tasting room orders are
designated to a club member

Summary

+

+

+

+



Closing Thoughts

Club

Subscriptions are outperforming clubs, it's time to rethink our club models.

Wine clubs had their worst month this year in March with churn briefly outpacing acquisition. During this same time period, major wine subscriptions like Winc were exploding in memberships. Winc reported a 578% increase in signs up in March.

- Subscriptions create better member experiences as they are more flexible and offer curated selections.
- The main value of subscriptions is the convenience, not member benefits which are often localized (free tasting, events, etc). When value isn't localized, wineries have more opportunity to drive online sign-ups and are less dependent on signing members up in the tasting room.
- Subscriptions are easier to manage than wine clubs. Flexible and rolling processes and ship dates mean wineries have a steady stream of orders to fulfill, rather than large batches.

Ecommerce

Personalization is the key to growing ecommerce sales.

Only 15% of wineries on Commerce7 utilize personalization. Only 13% of all product views come from a personalized page. Despite these low numbers, almost half of all “add-to-cart” clicks come from a personalized page. Personalized pages are converting 5.93x more than static pages.

Tasting room

Capture more emails in the tasting room to drive more online sales.

- The 10 wineries on Commerce7 who are best at capturing emails in the tasting room earn 78 cents online for every dollar spent in the tasting room.
- The 10 wineries on Commerce7 who are the worst at capturing emails in the tasting room earn 15 cents online for every dollar spent in the tasting room

When asked, the top 10 wineries had no gimmick or no financial incentive for employees to capture emails. Instead, they explained the “why” to their employees. They explained why capturing emails was so important, and made the practice mandatory.

Appendixes

+

+

+

+



Appendix 1

APIs

18.7 million

API calls per week

93 milliseconds

The average response
time by our servers

In a single week, Commerce7 servers up over 18 million API calls (over 1785/minute - but not all minutes are equal as most traffic comes between 8am and 8pm Pacific Time). All the while returning in under 100ms.

The importance of speed

Our APIs are used for everything: integrations, front end websites, our Admin Panel. Google confirms that speed is a critical factor for both desktops and mobiles. Customers expect your site to load in under 2 seconds and 40% of customers will abandon a website that takes more than 3 seconds to load. A 100 millisecond delay in response time decreases conversion rate by 7%.

The importance of APIs

Data inside a DTC platform can either be closed off for access or open for access. At Commerce7 we are 100% open (in fact we use our own APIs for our websites, POS, reservation platform and admin panel). In November 2020, over 75% of orders accessed were accessed by a 3rd party partner. Commerce7's openness allows you to have the integrations you need to make your business run smoothly.

Appendix 1

APIs

- + Over 1000 API endpoints making everything accessible.
- + Over 40 publicly available integrations (and a lot of private integrations).

Appendix 2

Code Updates

+ 16,538 Code deploys in a year

+ 200+ Publicly announced feature updates

The importance of updates

You pay for a SaaS platform. You pay monthly. It's important that as you spend monthly you continue to see innovation. If a platform isn't innovating - if it isn't moving forward - it's falling behind. The speed at which a company innovates determines how long your software will be relevant.

Move fast but don't break things

On every code push, Commerce7 has an automated testing suite that runs over 2000 tests (most of them full integration tests) to ensure that the team can move fast and with confidence.

Appendix 3

Meta Data

The importance of meta data

Meta data allows a winery to add attributes to any object inside Commerce7. For example if you want to track the 'Dogs Name' of a customer, today Commerce7 doesn't have a field for Dogs Name, but you can instantly add that field.

Fields you add are instantly available on our APIs, exports, and throughout the system for viewing, 3rd party reporting and 3rd party integrations.

Meta data allows you to make your data conform to the uniqueness of your business.

Appendix 4

Tags

Tags

| | |
|--------------|-------|
| Order | 917 |
| Customer | 4,846 |
| Club Member | 334 |
| Reservations | 59 |

Dynamic vs manual tags

| | |
|---------|-------|
| Dynamic | 1,257 |
| Static | 4,899 |

The importance of tags

Tagging customers, orders, club memberships and reservations makes it easy to find, export, and run reports on tags.

In Commerce7 you can have dynamic tags (which auto apply) as well as manual tags. For instance, you could decide to tag every order that is over \$1000 by a first time customer so that your email service provider could pickup that tag and execute a thank you email. This is an example of the power of dynamic tags.

Appendix 5

Queries

Saved queries

| | |
|--------------|-------|
| Order | 318 |
| Customer | 1,132 |
| Club Member | 130 |
| Reservations | 16 |

The importance of queries

Commerce7 query builder is unlike any other platform's query tools. You can search using 'And', 'Or' and combine data across numerous tables. Most queries execute in a few seconds (with the longest one this year taking 40 seconds).

From there found records can be converted into a tag, exported and reported on. Queries are one of the most powerful but underutilized back office functionality in the platform. Once you use them, you won't go back to doing pivot tables and other types of data manipulation.

Customer **is found** in the following **Customer** conditions:

| | | | |
|------------|------------------------|-----------------|---------------------|
| And | Email Marketing Status | is equal to | Subscribed |
| And | Lifetime Value | is greater than | 1000.00 |
| And | Club Member | is equal to | Is An Active Member |

[EDIT SET OF CONDITIONS](#)

and Customer **is found in one** **Club Membership** with the following conditions:

| | | | |
|------------|-------------|-----------------|-------------------|
| And | Club Status | is equal to | Active |
| And | Club | is equal to | Rose Subscription |
| Or | Club | is equal to | Spectra Wine Club |
| Or | Signup Date | is greater than | Aug 1, 2020 |

[EDIT SET OF CONDITIONS](#)

Appendix 6

Commerce7 Customers

From small wineries, to midsize, and large wineries - Commerce7 is being used by highly allocated brands throughout Canada, South Africa, Australia, Europe, and the United States. In just under three years, Commerce7 is being used by over 400 progressive wineries who are utilizing the platform for their DTC business.



Pink Valley

1896
PAUL CLÜVER
ELGIN



William & Chris
VINEYARDS



Greystone



ALPHA—DOMUS



And 400 more wineries...