Wine Business Solutions

Wine On-Premise

USA 2020

Credit: Courtesy of The Meadowood

The primary purpose of the On-Premise distribution effort is to attain listings. That is what Wine Business Solutions' Wine On-Premise USA 2020 research measures. This is the fifth year that we have undertaken this research giving us a total database to work with comprising 190,000 individual listings taken at random from independent, non-chain owned, On-Premise outlets' wine lists across all states.

We examine who the best importers and other primary suppliers are, what the most listed wine brands and styles are, the performance of supplier countries, states and regions, what restaurants charge for wines listed by-the-bottle and by-the-glass as well as how much wine business owners, importers and distributors can expect to make from On-Premise sales. We do this both nationally and on a market by market basis.

Why are On-Premise listings so important?

- People buy what they try.
- It enables your wine to be seen and consumed in the best possible surroundings.
- It's a chance for you to be remembered, recommended and bought again, later.
- It's one of the only true 'brand building' opportunities many wineries have outside the tasting room.

About the Sample

This survey covers the full range of possible On-Premise wine consumption occasions including suburban restaurants, fine dining establishments, hotels, bars and clubs. The sample is drawn completely at random but in proportion to each states' wine consumption. Chain restaurants were omitted as they are already well researched. Our objective is to accurately reflect what the consumer sees when presented with a wine list in an independently owned restaurant anywhere in the US.

At a minimum, we require 99% confidence that we have less than 1% error when asking the most important questions. We achieve that with a sample of this size when we are discussing gross numbers such as national distribution, price points and wine styles. Naturally, when we start breaking the database down into ever smaller segments (e.g. when analysing less populous regions or smaller wine categories), we lose some of this accuracy. We are, therefore, careful not to claim any insight beyond what reliable data confirms.

We now have 12 years of data in relation to On-Premise listings taken using this consistent methodology across other markets including Australia, the UK, Canada, Germany, China and Hong Kong as well as 5 years of data from doing the same in the US. We can therefore quickly identify, correct and/or seek to explain anomalies.

Figure 1 – Composition of Sample / Share of Listings Used

Region	State	Share		Region	State	Share
California	California	15%		The Atlantic NE	Massachusetts	4%
					New Hampshire	1%
The Tri States	New York	7%			Rhode Island	0.5%
	New Jersey	4%			Maine	0.5%
	Connecticut	2%				6%
		13%				
				The Pacific NW	Washington	3%
Florida	Florida	9%			Oregon	2%
						5%
The Capital Area	Virginia	3%				
	North Carolina	2%		The Best of the West	Arizona	2%
	Maryland	2%			Colorado	2%
	District of Columbia	1%			Nevada	1%
		8%				5%
Texas	Texas	6%		Pennsylvania	Pennsylvania	3%
The Great Lakes	Illinois	4%		The Rest	Hawaii	0.6%
	Ohio	3%			Iowa	0.5%
	Michigan	3%			New Mexico	0.5%
	Wisconsin	2%			Delaware	0.4%
	Minnesota	1%			Idaho	0.4%
	Indiana	1%			Utah	0.4%
		14%			Arkansas	0.4%
					Mississippi	0.4%
The South	Georgia	2%			Kansas	0.4%
	Missouri	1%			Vermont	0.3%
	Tennessee	1%			Nebraska	0.3%
	Louisiana	1%			Montana	0.3%
	South Carolina	1%			Alaska	0.2%
	Alabama	1%			South Dakota	0.2%
	Kentucky	1%			Wyoming	0.1%
	Oklahoma	1%			West Virginia	0.1%
		9%			North Dakota	0.1%
						6%

We then divide the US Market up into 12 regions, not based upon common legislation, which of course is different in every state, but upon size and 'serviceability' based upon common attributes and proximity.

We reasoned that with 52 states to consider, most businesses would be at a loss to know where to begin, let alone where to focus. With limited time and resources and, in many cases, limited supply, choosing where to start and how to proceed in a market this size is critical. Assisting this process is a key aim of this report.

Prior to the outbreak of COVID 19, the US restaurant industry was worth nearly one trillion dollars and employed more than 15 million people according to the National Restaurant Association. The number of On-Premise establishments selling wine was approximately 373,000 or around a wine serving restaurant for every 880 people (according to Wine Industry Insight and Nielsen, 2018).

Wine itself accounts for $US72billion in sales per year and the total US wine market is now 409 million cases (sources: Wine and Vine Analytics; BW166, to Dec 2019). Total wine sales for 2020 are predicted, by multiple sources, to be flat or slightly above 2019.

The drop in On-Premise wines sales during the first quarter of 2020 was 22% according to Rabobank. This was more than made up for by Off-Premise and DtC sales, during that period.

According to Nielsen, On-premise velocity in outlets that are currently operational is down -22% vs. last year in the week to August 22. This is however a +239% increase on March 28 when the On-premise shutdown commenced. Average transaction/purchase value is also continuing its upward trajectory and is now only -7% lower than it was a year ago." So, whilst this crisis is far from over and nothing is certain at this point, people who are going out are still spending.

How has this impacted wine lists in terms of their current composition? The average US wine list today has 186 bottle listing and 21 glass listing spots available, little changed from a year ago. As we shall see when we examine pricing, outlets continue to target expenditure ambitiously, even if actual expenditure has dropped.

Beverage Information Group claims that 19% of wine sales are made in the On-Premise equating to 77 million cases. 19% is the same number for the UK and Australia, showing how strongly wine drinking culture affects consumption patterns. Having said that, US consumption per capita remains stubbornly low at just 11 litres a head, not much more than a third of what Australian's drink and a quarter of what the French consume.

The question then becomes how best to address this most important of markets for fine wine producers?

Who are the best importers and primary suppliers *(note - we define 'primary suppliers' as businesses that sell to wholesaler distributors including US wineries themselves, sales office of international companies, specialist sales and marketing companies as well as those classic traditional importers*), which are the best business models and paths to market, what are the most popular wines styles, which regions are having the most success and how much money is there to be made from On-Premise sales? That is the focus of this report.

LIST OF FIGURES

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