Megan Gess Talks With Wine Analytics Report About Post-Pandemic Winery Landscape

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Haynes Boone Partner Megan Gess was quoted in an article in *Wine Analytics Report* about the post-pandemic wine market, wine market, including a surge in U.S. wine sales and direct-to-consumer (DtC) investments by wineries.

Below is an excerpt:

Winery direct-to-consumer shipments are on pace to exceed $4 billion this year, while total U.S. sales rally back to pre-pandemic levels and winery hiring remains robust in a tight labor market.

With restrictions on socializing largely lifted, last year's surge in direct-to-consumer (DtC) shipments, as a result of COVID-19, is coming into sharper focus. Shipment value in the latest 12 months through September rose 13% versus the previous year to nearly $4 billion while shipment volume rose 10% to 8,522,546 cases. Should current trends continue, annual DtC shipment value for this year could total $4.2 billion.

Digital Experiences Drive Connection

… The initiatives point to the firm hold an omni-channel marketing approach has found in the wine sector. This is not going to go away. While a surge in corporate orders occurred in the run-up to the 2020 holidays, activity this year is showing a move away from shipments to more in-person tastings. This promises to deliver accretive growth moving into 2021, growing the sector as a whole.

"COVID's been around so long I think it's changed the landscape permanently," said Megan Gess, a partner in the law firm of Haynes Boone… .

Prospects Rise for Small Brands

Gess has noticed growing interest from large wineries that want to make more strategic DtC investments. Two years ago, owners of fast-growing DtC brands had few pathways to liquidity. While delivering good cash flow, most were small and challenging for buyers to scale up. That changed last year as DtC and retail growth helped offset on-premise losses. "It's made those smaller wineries — brands, really — that have been successful at DtC look more interesting to acquirers because they have a handle on something that bigger [players] don't really have," observed Gess, who represents wineries looking to sell. "They used to [look for] 80% retail channels/20% DtC, and I think we're going to see that change."

While the recent deal for Vinesse and Constellation's investments in DtC opportunities last year focused on the acquisition of specific platforms, Gess said most DtC transactions are now about the brands. "The technology gives the consumer access to these brands and then what draws the consumer in after they have [that] access is really the story behind the brand, the reviews, the other perks they might get for being involved," she explained. "A story is still very important to consumers, especially as we’ve gotten more disconnected, and we’re all sitting in a house looking at our computers all day.”

Smaller brands are often good at telling their story, but making use of technology to hone their connection with consumers is where larger, better capitalized players are helpful. “They’re not, for the most part, using all that technology because it just doesn’t make sense from a cost perspective for them to make those types of investments,” Gess said. “But I think you see it from the buyers’ perspective because they have access to that technology, and they can leverage it when they acquire these small brands. … They have access to things that can really drive the profits.”

But in a surprising move that parallels the clicks-and-mortar trend in other retail sectors, some DtC brands are starting to attract interest from traditional retailers.

“As brands that people didn’t traditionally know about became more popular and increased volume on the DtC side, now, as retail’s opening up more, I’m hearing that they’re getting more interest on the retail side than they ever had pre-COVID,” Gess observed. “So, it’s leading to an increase on the retail channel.”

To read the full article, click here.