EMBRACING DTC IN A MOBILE-FIRST WORLD

Presented by Kelley Rochna
VP of Marketing & Innovation, Vine Connections
TO SELL ALCOHOL SUCCESSFULLY IN A MOBILE-FIRST WORLD
BRANDS MUST UNDERSTAND:

- THE MINDSET OF THE CONSUMER AND
  HOW THEY’RE USING MOBILE TO SHOP WITH BRANDS TODAY
- THE EVOLVING WORLD OF ALCOHOL DTC
- THE WAY FORWARD FOR BRANDS TO EMBRACE A MOBILE-FIRST CONSUMER
MOBILE HAS CHANGED HOW PEOPLE ENGAGE, EXPRESS, AND CONSUME

IT’S ALWAYS ON

• People spend an average of 5 hours a day on their phone. ¹
• It’s our alarm clock, our map to get somewhere, our podcast or music streaming device, our entertainment, how we look up recipes, and of course how we communicate.
• By 2019, mobile will surpass TV in time spent in the US. ²

IT’S PULLED PEOPLE TO BRANDS

• The rise of mobile and social media naturally pulls consumers into engaging with brands versus brands pushing traditional advertising messages.

IT’S MADE THE PATH TO PURCHASE MORE COMPLEX THAN EVER

• With the growth of mobile adoption, unlimited alcohol choices, the rise of delivery (subscription based and on demand), and retail consolidation, there is not one specific way people buy alcohol anymore.

MOBILE IS EVOLVING DTC

THE TIME IS NOW FOR BRANDS TO EMBRACE TRENDS TO DRIVE IMPACT
The Distracted Consumer

We’re multi-taskers
Emailing from meetings, watching TV while we’re cooking, while we're spending time with the family, while we’re checking social media on our phones.

The average attention span is 8 seconds and only getting worse 1
Gen Y has 5 seconds and Gen Z have just 2.8 seconds.

Consideration is shrinking
Thanks to diminishing attention spans and an increased digital lifestyle.

Source: 1. Study by Microsoft Corp, 2015.
AND WHAT’S SCARY: A GOLDFISH’S ATTENTION SPAN IS 9 SECONDS
THE SHOPPING EXPERIENCE IS NOW A MERE MOMENT

DESIRE TO SHOP ON MOBILE IS HIGH
1 in 3 US shoppers surveyed would like to shop on their smartphone more.

1 in 2 shoppers poor navigation or slow load times are a barrier. ¹

CONSUMERS SHOP FASTER ON MOBILE
Mobile conversions are 13% faster than computer. ²

SEAMLESS CHECKOUT PROCESS IS KEY
90% say a smooth check-out experience will motivate them to buy again with the same provider.

 Desire for one-click buying or express check-out. ¹

Source: 1. Facebook Data, US only, 9/2/16-10/6/16 people over 18 years old on FB. 2. “Path to purchase 2016” Study by Kantar, August 2016.
Each demographic buys alcohol differently (and utilizes mobile to help make decisions)

**Baby Boomers**
- Minimal online or mobile purchasers.
- Use mobile more as an education tool.

**Gen X**
- Didn’t grow up with mobile but were quick to adopt.
- Buy online/mobile **and** value in-store experiences.

**Millennials**
- Mobile is an inherent part of their everyday behaviors.
- Heavy online/mobile shoppers.

<table>
<thead>
<tr>
<th>BABY BOOMERS</th>
<th>GEN X</th>
<th>MILLENNIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make a shopping trip knowing which brand they plan to purchase</td>
<td>Use previous experience to inform decision</td>
<td>Make a shopping trip knowing which brand they plan to purchase</td>
</tr>
<tr>
<td>52%</td>
<td>71%</td>
<td>24%</td>
</tr>
<tr>
<td>Use previous experience to inform decision</td>
<td>43%</td>
<td>Use previous experience to inform decision</td>
</tr>
</tbody>
</table>

65% check alcohol ingredients or recipes

86% discover new beverages through friend’s recommendation

50% have tried drinks that friends have posted about on Facebook

Source: FBIQ study, March 2017.
SOCIAL MEDIA HAS CHANGED HOW PEOPLE ENGAGE WITH BUSINESSES

Consumers spend a lot of time on these platforms and want to learn about products, get info on promotions, contact customer service, find inspiration, shop/buy easily.

**Facebook**

US USERS: 169 MILLION
TIME SPENT: 27 MINUTES

- 8x / day accessed the platform
- 3.5 degrees of separation
- 32% engage with brands regularly

**Instagram**

US USERS: 105 MILLION
TIME SPENT: 24 MINUTES

- 80% of Instagrammers follow a business
- 68% of businesses say it helps them find new customers
- 33% more interested in a brand/product after seeing it on IG Stories
- 62% build excitement for upcoming trips

**Pinterest**

US USERS: 75 MILLION
TIME SPENT: 14 MINUTES

- 72% use Pinterest to decide what to buy offline
- #1 shopping platform among millennials
- 73% of Pinners say that content from brands makes Pinterest more useful
- 93% who follow SMBs plan to purchase from them

**Twitter**

US USERS: 68 MILLION

- 74% use the network for news
- 85% who follow SMBs look for customer service

Source: FB: Facebook Research, comScore; IG: Instagram Internal Data; PN: Pinterest Internal Data, Millward Brown Consumer Study; TW: Twitter Customer Insights Study
DIRECT MESSAGING IS A HUGE OPPORTUNITY FOR BRANDS (BEYOND JUST CUSTOMER SERVICE)

150M
Instagammers DM a business each month\(^1\)

1 IN 3
Ads in Stories gets a DM\(^1\)

61%
of Facebook Messenger users have messaged a business in the past 3 months\(^2\)

69%
say being able to message a business helps them feel more confident about the brand\(^2\)

THE EVOLVING WORLD OF DTC

It’s changing people's experiences, tastes, and knowledge of wine
# The 4 Segments of DTC

## Winery Direct DTC/Traditional DTC

**How it Works**
- Consumers visited your winery and signed up for your wine club.
- They get a shipment 3-4 times a year where you select the product for them.
- Consumers may be members at multiple wineries, getting several different emails, newsletters and shipments.

## Lifestyle/Wine Clubs

**How it Works**
- Consumers sign up to receive one consolidated shipment of different brands and skus monthly based on preferences they pick.
- Some choose based on theme, education or philosophy of the club and heavily promote on social media.
- Some clubs help consumers decide membership by giving them a questionnaire that provides customized recommendations.

## Buying Online/Short Delivery Window

**How it Works**
- Consumers find skus or brands, typically on mobile (though desktop is available). These companies heavily promote on social media.
- These mobile apps allow consumers to scan the label while they are in-store or consuming – they can see reviews, descriptions, and buy on app.
- Delivery is usually within 2-7 days.
- Your winery’s products can be found on these sites.

## On-Demand DTC

**How it Works**
- All of these companies have mobile apps and heavily encourage a seamless mobile experience.
- Delivery is within 30 minutes – 2 hours.
- Heavily promote on social media. No membership is needed, shipping is usually free or minimal and little as one sku can be ordered.
- Your winery’s products can be found on these sites.

## US Wineries

![Winc](#)  ![Bright Cellars](#)  ![Wine.com](#)  ![Vivino](#)  ![Drizly](#)  ![Minibar](#)  ![Saucey](#)  ![Postmates](#)  ![Instacart](#)  ![Amazon](#)

**$2.69 billion worth of wine shipped DTC by domestic wineries in 2017**

**Online alcohol delivery grew 32.7% in 2017**

**On demand DTC had $103 million in revenue but will grow quickly**

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THESE SEGMENTS ARE DELIVERING HIGHLY ENGAGED MOBILE EXPERIENCES

SCROLL UP/DOWN/LEFT/RIGHT

INTEGRATED SIGNUP EXPERIENCES

AUTHENTICATED LOGINS
49% of consumers purchased groceries online in past 3 months. Will be 70% by 2022.¹

44% of consumers have used a grocery app.²

- Online sales for Amazon are up 18% from last year with help from Whole Foods (and now doing 2 hour grocery delivery).³
- Kroger’s digital sales grew 66% in Q1 2018 over the prior quarter.⁴
- HEB has partnered with the Favor app to do beer and wine delivery within 1 hour (testing for the summer).⁵
- Costco’s ecommerce revenue has grown 34% this year.⁶
- Instacart is valued at $4 billion and helping most of these companies deliver.⁷
- Total Wine & More is laser focused on digital growth through delivery and in-store pickup.
- BevMo is testing 1 hour delivery.⁸

## Retailer Purchase Behaviors Are Changing

### Delivery Methods Used for Digital Purchases by Age

<table>
<thead>
<tr>
<th></th>
<th>18-29</th>
<th>30-39</th>
<th>40-49</th>
<th>50-59</th>
<th>60+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver to Home</td>
<td>77.0%</td>
<td>84.6%</td>
<td>81.4%</td>
<td>76.9%</td>
<td>76.5%</td>
<td>78.9%</td>
</tr>
<tr>
<td>Buy Online, Pick Up In-Store</td>
<td>34.9%</td>
<td>25.4%</td>
<td>28.5%</td>
<td>24.0%</td>
<td>16.1%</td>
<td>23.5%</td>
</tr>
<tr>
<td>Ship-To-Store</td>
<td>18.3%</td>
<td>15.9%</td>
<td>19.8%</td>
<td>15.6%</td>
<td>9.0%</td>
<td></td>
</tr>
<tr>
<td>Deliver to Work</td>
<td>14.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Curbside Pick up</td>
<td>8.7%</td>
<td>8.0%</td>
<td>8.7%</td>
<td>7.6%</td>
<td>2.4%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Deliver to Locker</td>
<td>6.4%</td>
<td>5.0%</td>
<td>4.1%</td>
<td>2.1%</td>
<td>1.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Other</td>
<td>4.0%</td>
<td>2.5%</td>
<td>0.6%</td>
<td>1.3%</td>
<td>0.5%</td>
<td>1.4%</td>
</tr>
<tr>
<td></td>
<td>0.8%</td>
<td>0.5%</td>
<td>2.3%</td>
<td>1.7%</td>
<td>2.9%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

ACTIONS TO TAKE NOW
— TAKEAWAY 1 —

UTILIZE SEAMLESS SHOPPING FEATURES NOW

ADD SHOPPING BUTTON ON YOUR FACEBOOK PAGE

ENSURE YOUR MOBILE EXPERIENCE IS DIFFERENT THAN THE DESKTOP EXPERIENCE
TAKEAWAY 2

TARGET AND RETARGET KEY CUSTOMERS

TAKE YOUR TRADITIONAL WINE CLUB LISTS AND UTILIZE FACEBOOK AND INSTAGRAM TARGETING:

CREATE CUSTOM AUDIENCES

CREATE LOOK ALIKE AUDIENCES
TAKEAWAY 3
INTEGRATE WITH THIRD PARTY OPPORTUNITIES
Update your brands content on these sites, invest in paid partnerships, consider digital ads that click to convert on these sites

DRIZLY
Brands.Drizly.com

MINIBAR DELIVERY
minibardelivery.com/brand-partners

WINE.COM
content@wine.com
— TAKEAWAY 4 —

UTILIZE NEW MOBILE TECHNOLOGY THROUGH DIRECT MESSAGING
EMBRACING DTC IN A MOBILE-FIRST WORLD
(SUMMARY)

MOBILE’S IMPACT ON THE CONSUMER

Engagement can lead to stronger conversion!

THE DTC WORLD IS EVOLVING

Brands can find integration in the 5 segments!

WHAT BRANDS CAN DO NOW

Utilize Shopping Integrations
Target/Retarget
Integrate in 3rd Party Lifestyle Opps
Utilize mobile technology
THANK YOU

Learn more at VineConnections.com/Insights or email Kelley@vineconnections.com