



LEFT: Vine Wine in Brooklyn was among many retailers setting up new store protocol. // Schneider's of Capitol Hill lowered the minimum for free delivery and began offering curbside pick-up.

RETAIL IN THE CORONAVIRUS ERA



**AFTER SEEING EARLY SALES SPIKES,
MERCHANTS DEAL WITH SHIFTING
CONSUMER BEHAVIOR AND REGULATIONS**

BY COURTNEY SCHIESSL

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he industry's one bright spot during the devastating coronavirus pandemic has been

the recent weeks' surges in wine, beer, and spirits off-premise sales across the country. Even as the on-premise sector shuttered and Americans were confined to their homes, consumers were very much drinking. For many alcohol retailers (deemed essential businesses in most states), business boomed as consumers stocked up on alcohol, alongside toilet paper and household disinfectants.

According to Nielsen, U.S. sales of alcoholic beverages increased 55 percent in the week ending March 21—the same week that California became the first of many to enact a statewide order for residents to stay at home. The alcohol delivery service Drizly, which is releasing sales data twice weekly, saw sales growth



slow slightly before spiking once again to 488 percent over baseline during the week of March 30. Large grocery chains, in markets where they are permitted to sell alcohol, are posting very high double-digit growth in beverage alcohol.

For independent wine retailers, the impact on sales has been variable. Some, like Le Dû's Wines in New York City and Schneider's of Capitol Hill in Washington, D.C., have seen sales normalize after an initial spike in purchasing. For others, like The Wine House in Los Angeles, they continue to soar. "We have not seen a dip in consumer purchasing, and we are very fortunate for that," says part-owner and wine buyer Jim Knight.

But with the rapidly changing realities of daily life in the U.S., the precarious economic climate, and new health regulations and concerns, it's far from business as usual.

UNDERSTANDING NEW PURCHASING BEHAVIOR

The retail sector is the undeniable beneficiary of the on-premise fallout. "It's a great time to shop at a wine shop," says Talitha Whidbee, the owner of Vine Wine in Brooklyn, New York. "We're picking up all the allocations from restaurants." Faced with the loss of purchases from on-premise accounts, many importers and distributors are slashing prices dramatically to offload inventory, allowing retailers to offer excellent value on wines as well.

While some retailers initially saw consumers splurge on more expensive bottles,

ABOVE, from left: Jim Knight of The Wine House in Los Angeles // Gary's Wine & Marketplace in Wayne, New Jersey // Le Dû's Wines in New York City

for the most part, the average per-bottle price point is skewing lower than usual. "The average wine bottle price since the uptick has been \$17.99," says Gary Fisch, the founder and CEO of Gary's Wine & Marketplace, "which is roughly 32 percent lower than the average bottle price in the past year, which was \$25." The Wine House's average bottle price has been about \$20, according to Knight, which is also slightly lower than normal.

That lower per-bottle average is typically offset by greater quantity, however. Drizly reports that quantity per order is up as well—about 40 to 50 percent more than usual.

However, the drop in average price point has been difficult for some retailers. "Many [independent, fine wine] stores are reporting lower sales," says Tom Wark, the executive director of the National Association of Wine Retailers (NAWR), "in large part because the vast majority of retailers are also seeing their average price per bottle sold significantly reduced since March 1." He adds that between 30 and 40 percent of fine wine retailers have laid-off or furloughed employees.

MANAGING NEW PROTOCOL

As Americans comply with stay-at-home orders, retail operations that once relied on foot traffic have had to adjust to

decreased or nonexistent walk-in business. To adapt, Wark notes that many retailers are increasing delivery efforts, adding curbside pickup options, and widening digital outreach. Though 40 percent of The Wine House's initial sales bump was walk-ins, once the state put a stay-at-home order in place on March 19, Knight was "slammed" with curbside pickup and delivery orders. The situation led him to cease walk-in business entirely on March 23.

But for shops that do not offer delivery, walk-in traffic remains crucial even under stay-at-home orders. Restrictions on delivery in Michigan, a control state, make it complicated and expensive to deliver. Red Wagon Wine Shoppe, being in Rochester Hills, Michigan, does not offer delivery, though it does have an e-commerce site offering shipping. "Our model, which is so heavily dependent on in-store traffic, would just about come to a halt," says wine director Michael Descamps.

To mitigate the risk, Descamps has reduced hours and is working with a very small team (many staff members have opted not to work). Other protocols enacted by wine shops that continue to offer walk-in business include canceling in-store tastings, staggering staffing, limiting the number of shoppers allowed at once, sanitizing surfaces regularly, and requiring employees to wash hands and wear gloves.

INVESTING IN THE DELIVERY MODEL AND E-COMMERCE

Even if shelter-in-place orders allow con-

sumers to shop in-store, many are opting for web or phone sales to minimize contact with others. According to Nielsen, online sales of alcoholic beverages rose by 243 percent during the week ending March 21. It's been a boon for alcohol delivery services like Drizly and Minibar and large online marketplaces. During the week ending March 29, wine app Vivino experienced a 209 percent increase in year-over-year gross merchandise value for their online marketplace—much of that from new customers.

“People who previously used Vivino for scanning, rating, and reviewing wines are now buying online because they are at home, online, and looking for delivery to their door,” says founder Heini Zachariasen. “Our numbers indicate that [e-commerce and delivery are] essential.”

Independent retailers are seeing results from this shift, too. “Almost all our members report moderate to significant increase in traffic to their websites,” says NAWR’s Wark. For businesses that have delivery or shipping systems in place, this shift away from walk-in traffic is smoother.

Particularly for small shops, delivery may indeed be the only way to remain operational and profitable. “I strongly recommend that small mom-and-pop stores invest heavily in their delivery and pickup capabilities,” says Fisch. He suggests retailers look into all e-commerce options, such as hiring a third-

#STAYHOME

Alcohol delivery services like Drizly have seen huge increases in orders.



party delivery service or back-end technology provider. Whidbee also recommends having all inventory online and linked to the store’s POS system to reflect real-time availability.

Managing pickup and delivery operations and coronavirus health protocols is also essential. To keep business manageable with just a few staff members, Vine Wine conducts local delivery on Mondays, ships packages on Tuesdays and Wednesdays, and offers pickup for four hours each day from Tuesday to Saturday.

Zero-contact is increasingly important. Some retailers place a card table outside the front door of the shop so that consumers cannot get too close, or staff members wear gloves to place orders in car trunks. For delivery, the team at The Wine House asks the customer to show his or her ID through the window and leaves the order on their doorstep.

It’s critical for retailers to communicate directly with customers through social media and emails about their delivery services—particularly for shops without robust e-commerce platforms.

“There’s a lot of uncertainty as to whether shops are even open, so just sending out an email or posting that you’re open is very advantageous,” says JT Robertson, general manager of Le Dû’s

Wines. “More often than not, people will choose to support their small businesses.” He has also been using sponsored Instagram and Facebook posts highlighting the shop’s delivery radius to target the local community, noting that even if couriers are no longer allowed to operate, he can personally deliver bottles a few blocks away.

PLANNING FOR AN UNPREDICTABLE FUTURE

Several wine and spirits distributors predict the boom will continue to slow for



At Vine Wine in Brooklyn, proprietor Talitha Whidbee estimates that 90 percent of sales are for pickup, despite the fact that the store offers free local delivery and in-state shipping. “People still want to go out and take a stroll since they’re inside all day,” she says.

independent retailers, particularly in states where grocery stores are permitted to sell alcohol and consumers increasingly opt for one-stop shopping. “I anticipate that with the stay home order, we will continue to see some slowdown,” agrees Elyse Genderson, the vice president at Schneider’s in D.C.

In the face of this uncertainty, many are practicing caution. “Every indication is that the initial stocking up will end at some point,” says Wark, “and the impact of the U.S. entering a ‘depression economy’ for some time will hit sales very hard.”

Some are anticipating unexpected disruptions in other parts of the industry, such as the winery supply chain. “I still feel like we have to overbuy,” says Whidbee. “I’m worried that there’s going to be a travel ban or they’ll close down the ports for two weeks.”

Flexibility will be key to both short- and long-term success. “I think we’re looking at a drastically different wine landscape in the future,” says Robertson. ■