



State of the Wine Industry: Trends in Technology Adoption

**How Wineries Are Using
Software to Succeed**



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Introduction

2020 has been a year of unexpected challenges for U.S. businesses, but the wine industry was already facing immense change. Growers are dealing with diminishing returns due to oversupply. The wine industry as a whole has struggled to gain young consumers as customers, owing in part to new consumer tastes and increased competition. Extended tasting room closures due to the coronavirus pandemic added to the difficulty many wineries already faced, but the previous concerns will remain even after the chaos caused by the virus subsides.

It is more important than ever to analyze your business and shore up defenses where possible. As Rob McMillan wrote in the Silicon Valley Bank (SVB) 2020 State of the Wine Industry Report, "In an emerging era of lower growth, the dominant competitive issues will shift to management strength and the decision-making ability of teams and organizations."¹ One major way that businesses can improve their decision-making ability is by using technology to gain insights that are otherwise difficult or impossible to glean manually. Investing in technology can also improve operational efficiency in many areas, boosting profit margins while maintaining or improving the quality of wine.

Furthermore, the current direct-to-consumer model for smaller, family-run wineries that focuses on tasting rooms

and wine clubs is reaching maturity. These brands must find ways to connect with consumers who may never enter the tasting room in order to expand their reach and gain wine club members digitally. Only seven U.S. states currently restrict the shipment of wine, so this digital-focused strategy is possible in most regions.

In this white paper, we review the results of an analysis of U.S. wine businesses and their self-reported adoption of technology in the areas of inventory management, accounting, tasting room point-of-sale (POS), and other direct-to-consumer (DTC) sales channels including ecommerce and wine club.

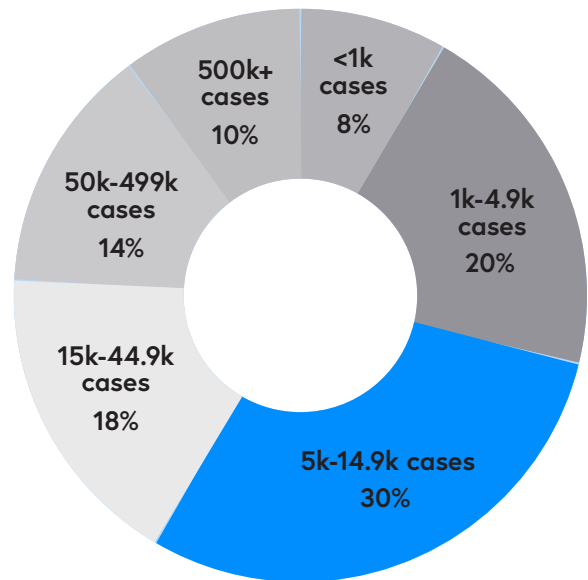
Methodology

Ekos sent an online survey to wineries from May 10 to June 23, 2020. Ultimately, 296 industry professionals* completed a significant amount of the survey and were included in the final sample.

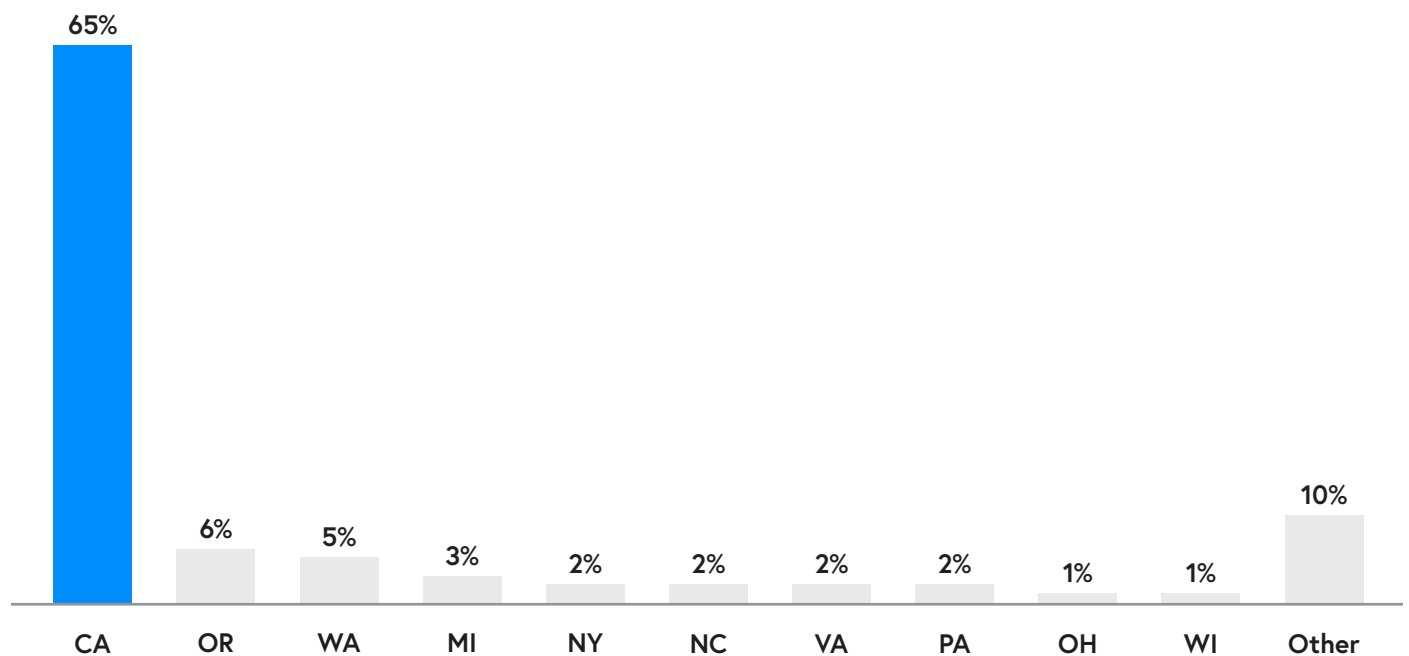
In addition to the survey, Ekos conducted phone interviews lasting roughly 30 to 45 minutes with eight wineries. These wineries varied in location, with four located in California and one each in Pennsylvania, Wisconsin, Ohio, and Oregon. The size of the businesses was measured in annual production volume, which ranged from 500 to 150,000 cases of wine per year. State and local shutdowns due to the coronavirus pandemic began around March 2020 and extended through the time of the analysis for many of the companies analyzed.

**Note: Not all 296 respondents completed every question.*

Survey Sample by Winery Size



Survey Respondents by Winery Location



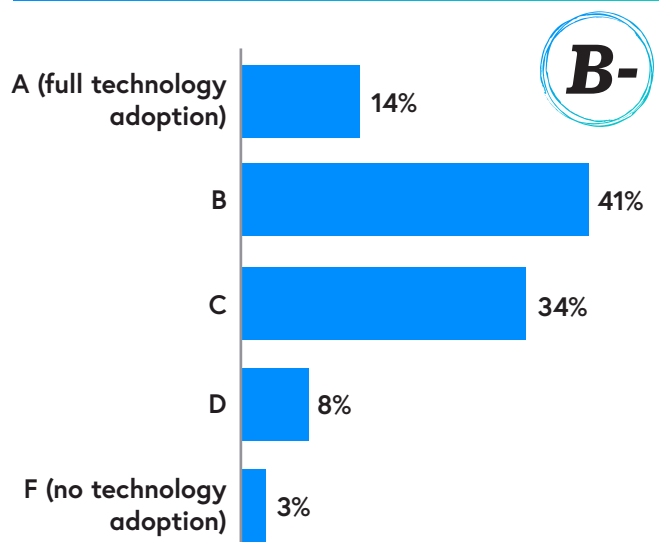


Technology Adoption Trends

We asked wineries to reflect on their overall technology adoption as a business and give themselves a grade from A to F. On average, wineries gave themselves a B-, with the smallest wineries (less than 1,000 cases produced per year) grading themselves slightly lower at a C.

It's not surprising to see smaller businesses reporting lower levels of technology use considering they are likely working with fewer financial resources. But it's important to consider that businesses must find ways to become more efficient, communicate better internally, and reach new customers to survive over the long term. That doesn't mean a business must acquire every software solution at once, but investing strategically — one piece of technology at a time — can pay dividends down the line. Key systems you might consider include accounting, POS, inventory and production management, ecommerce, and wine club management.

How Would You Grade Your Company on Its Tech Adoption?



The Tech Wineries Can't Live Without

Some obvious essentials popped up when we asked wineries what technology they can't live without, including the internet, computers, email, phone, and Google. Other technology solutions frequently mentioned were POS, QuickBooks, and Excel.

POS is an obvious requirement for any winery that sells directly to consumers in a tasting room, and QuickBooks or another accounting software is essential for just about any business. But the repeated mentions of Excel in the responses bring up concerns about efficiency and overall business management.

Although many wine businesses are using technology in some way, several major gaps and inefficiencies were discovered in our research:

- 1. Systems used are not connected to each other through APIs.** Although technology is used throughout the vineyard and winery, it is often riddled with manual processes in between to connect the data and retrieve valuable insights from it.
- 2. Spreadsheets reign supreme,** introducing the risk of human error and slowing down any important decision making (for example, accurately calculating the Cost of Goods Sold or making product quality or new packaging decisions is a laborious process).
- 3. Analytics are limited.** With disconnected systems, it is difficult and cumbersome to dig out insightful information. For example, if the inventory and production management system doesn't connect to POS or accounting software, compiling important financial reports and business analytics becomes a much more manual process.
- 4. Product quality is at risk.** When you don't keep track of historical production records, you cannot identify where things went wrong or where you made an improvement. If these records are kept in notebooks rather than digitally, locating the information you need takes far too much time to be practical.

What Technology Can You Not Live Without at Work?



Inventory & Production Management

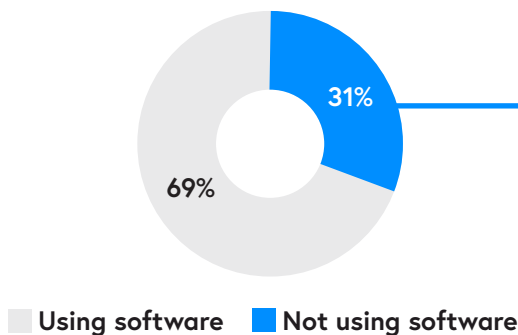
When it comes to leveraging technology for inventory and production management, 1 in 3 wineries said they do not use any software for tracking. Of those who track these processes manually, 87% use Excel spreadsheets; 40% use a combination of notebooks, whiteboards, and paper; and 17% use email. (31% of manual trackers use a combination of Excel, notebooks, whiteboards, and paper.)

Those who use inventory management software graded themselves a bit better regarding overall technology adoption than those who do not. Since winemaking is such an inventory-focused business, it makes sense that using technology for such an important area would result in a higher self-rating.

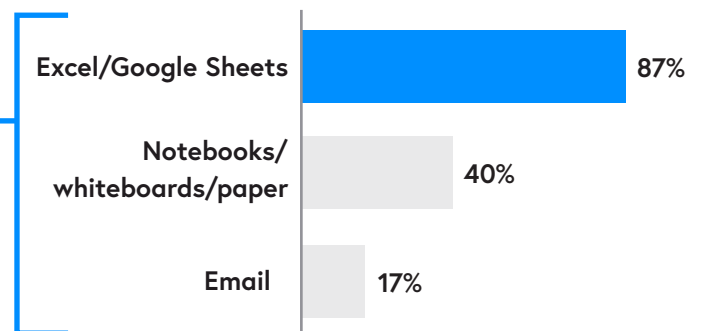
While the majority of wineries we surveyed were using software for inventory management, it's troubling that there is still such a significant portion (1 in 3) of wine

businesses handling this important task manually. The wineries in our sample that use technology for inventory and production management were 23% more likely to expect their sales to increase in the next 12 months compared to those that do not use software for this purpose. And with most wineries using software to maintain inventory in real time, if you're not using software, you're already behind.

Method Used to Track Inventory & Production



Using Manual Tracking for Inventory & Production



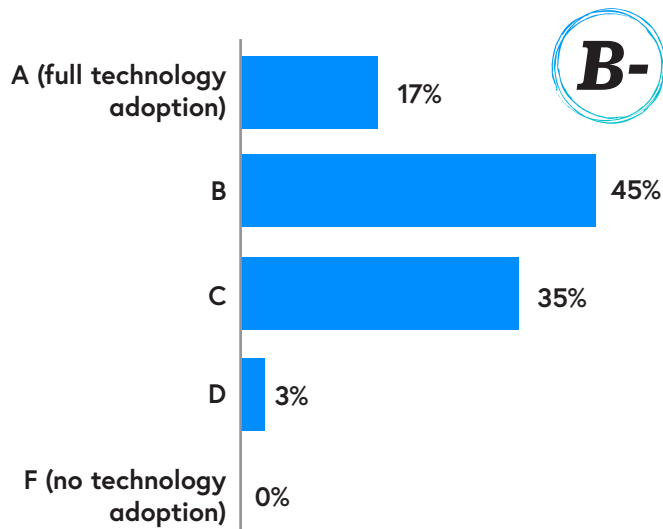
Wineries that use inventory software were 23% more likely to expect their sales to increase in the next 12 months.

Why Inventory Management Is Important

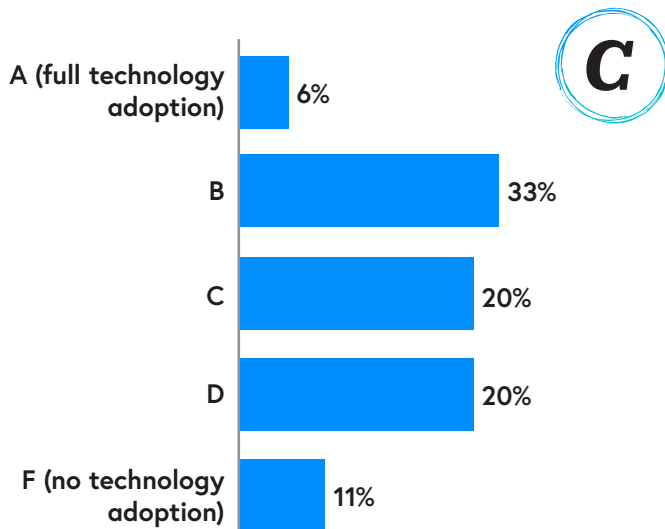
As a winemaking business, the ramifications of good (or bad) inventory management practices trickle down into every other part of your business, from production and sales to accounting and operations. It is the foundation on which every other part of your business rests, so it's important to do it right. Managing inventory the right way offers many potential benefits and insights:

- Calculating production costs and the Cost of Goods Sold for a certain vintage or varietal so you can price products accordingly
- Knowing which products sell at the highest margin so you can plan next year's production
- Forecasting inventory needs, such as packaging or additives, before items run out and easily tracking the cost of inventory over time
- Making cost accounting possible by recording costs associated with production, providing an accurate picture of your finances and helping you make informed decisions

Use Inventory Software



Do Not Use Inventory Software



“I rely heavily on Excel to keep track of existing inventory, raw materials, packaging, etc. It would be nice to have a better database to keep track of our records. It’s very hard and frustrating to find something from a few years ago. I’m trying to change that to capture everything in electronic forms so you can find it and trace it back. Plus, the government actually requires you do that.”

— Winemaker at winery in Ohio producing 7,000 cases per year



Inventory Management Software vs. Spreadsheets

If you want to do inventory management right, it will be nearly impossible to do it effectively in notebooks or on clipboards (paper can be lost or damaged) or whiteboards (information can easily be erased). These methods may work while your team is small and your production volume is low, but to get the insights you need as you grow, a reliable system of record is required.

“As soon as you bring in other people and delegate, you need a trackable system for record keeping. Verbal or paper records can lead to discrepancies, inaccuracies, and a lack of communication.”

— Keith Bishop, co-owner of Bishop's Orchards Winery

For that reason, many wineries seek out software that can help. While you may start out with spreadsheets, you'll find that they rely on complicated formulas that can easily break, and sharing them among team members isn't an easy process. Sure, you can share a Google Sheet, but how do you communicate work orders associated with them or show relevant team members where the numbers came from? Plus, it's difficult to forecast your future needs and reconciliation with your accounting software at the end of each month and completing compliance reports can be a nightmare.

[Read more about the success Bishop's Orchards Winery found with inventory management software »](#)

Rating Inventory Software Providers

On average, the wineries that use inventory management software gave their providers a negative Net Promoter Score (NPS), a proven metric that measures customer experience and predicts business growth.² Possible scores for a business range from -100 to 100, with 100 being the most positive. In our survey, the average NPS for reported vendors was -3.

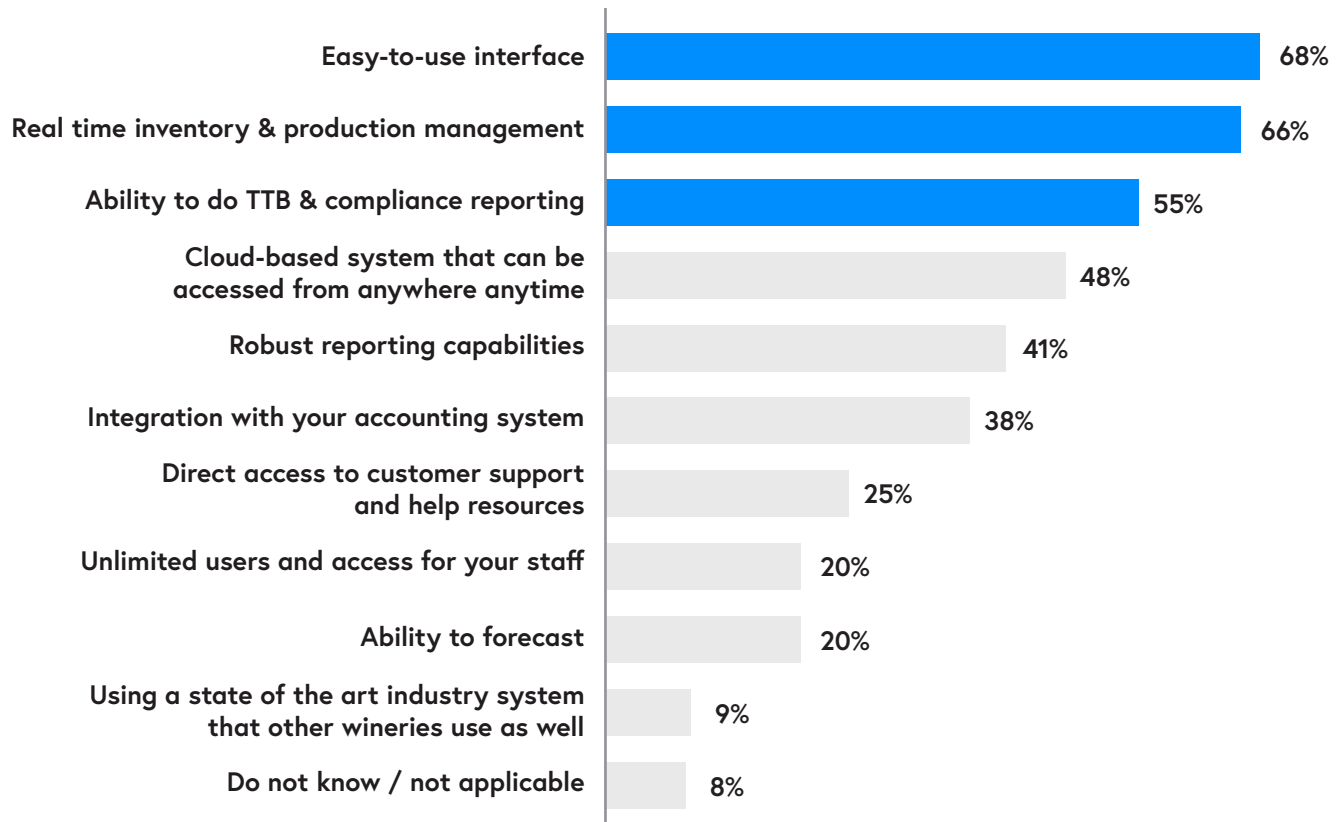
This clearly indicates there is room for improvement in the tools currently dominating the market. Many software solutions targeted at the wine industry are decades old, running on old infrastructure that is not cloud-based and therefore not particularly flexible or convenient to access. Some systems lack the ability to connect to other vital pieces of technology, like accounting and POS software, adding hours of reconciliation time each month and making insights difficult to extract.

Must-Have Features

In our survey, we asked wineries what factors were most important to them when choosing inventory and production management software. These were the results

- ✓ Easy-to-use interface
- ✓ Real-time data and inventory forecasting abilities
- ✓ TTB reporting assistance
- ✓ Cloud-based system that can be used anywhere
- ✓ Robust reporting capabilities

Importance of Features for Inventory & Production Software



Questions to Ask Inventory & Production Management Software Vendors

1. Does your solution connect to other technology I already use?

What to listen for: Key integrations for accounting, point-of-sale and ecommerce/club management, for example, that allow you to streamline your data

2. Is my team able to use your software anywhere, on any device?

What to listen for: Cloud-based software that is accessible on the go from any mobile device with an internet connection, plus a mobile app for added convenience. Find out whether you pay per user or get unlimited users with your subscription.

3. How often do you make updates to your software?

What to listen for: Rapid iterations based on user feedback with an experienced and sizeable engineering team that works on an agile development methodology.

4. What is your customer support like?

What to listen for: A dedicated, in-house support team made up of product experts with a high customer satisfaction rating, as well as a knowledge base with training resources available 24/7. Also ask whether there's a user community where you can talk to other users and provide product feedback.

5. Is the data in the system automatically updated in real time?

What to listen for: No manual syncing required — when a user updates an item in the software, the change is immediately reflected for every user.



Accounting Software

75% of survey respondents reported using QuickBooks as their accounting software, with Sage and Advanced Management Systems being the closest competitors at a mere 5% and 4% respectively.

Small- and medium-sized wineries are the most frequent users of QuickBooks, while other systems seem to gain traction with larger businesses that may have more unique or robust requirements.

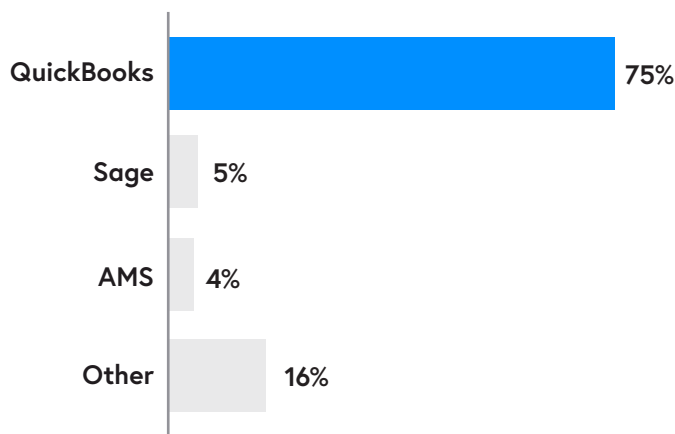
Level Up: Benefits of Syncing Inventory Management & Accounting Software

Using both inventory management software and accounting software is a best practice for managing your business, but if these systems don't talk to each other, your accountant or bookkeeper is likely spending valuable hours reconciling between the two every single month. When your inventory system properly syncs to your accounting software, journal entries will be automatically created and inventory automatically depleted whenever invoices are posted.

Specifically, syncing your inventory and accounting software can help you:

- ✔ Save 15 – 20 hours per month on reconciliation and duplicate entry between systems
- ✔ Streamline communication between departments
- ✔ Easily view real-time financial data
- ✔ Know the true cost of products
- ✔ Collect compliance data for tax reporting
- ✔ Scale your business with all your data living in one place

Which Accounting Software Do You Use?



How Intuit & Ekos Are Powering Prosperity in the Craft Beverage Industry

The collaboration between Ekos and Intuit QuickBooks helps businesses streamline their operations, easily pull accurate financial and compliance data, and eliminate double-entry accounting.

[Learn more about how the integration has helped craft alcohol businesses](#)

Internal Bookkeeping vs. Hiring a CPA Firm

In 2013, Rob McMillan posited that the high incidence of fraud and embezzlement in the wine industry is partially due to "the low value placed on accounting and proper management reporting."³ It's hard to say how much has changed since then as few statistics exist on the subject, but it's a good reminder to take a look at how your accounting arm operates.

Many family-owned wineries, unsurprisingly, have family members running the books. While this can be a great solution if that person has accounting expertise, it's imperative to have at least two people (one being the owner) with eyes on the books regularly. In addition, a Reviewed Financial

Statement or audit by an accounting firm with wine industry experience can help you understand your financial statements and ensure you're adhering to Generally Accepted Accounting Principles.⁴

You may not have the resources to have an ongoing relationship with a CPA firm, but it's worth taking advantage of their expertise more frequently than during tax season to ensure you have all your ducks in a row. Your in-house bookkeeper or accountant should also leverage the financial reporting capabilities in your inventory management system and review these reports with you regularly.



Direct-to-Consumer (DTC) Technology

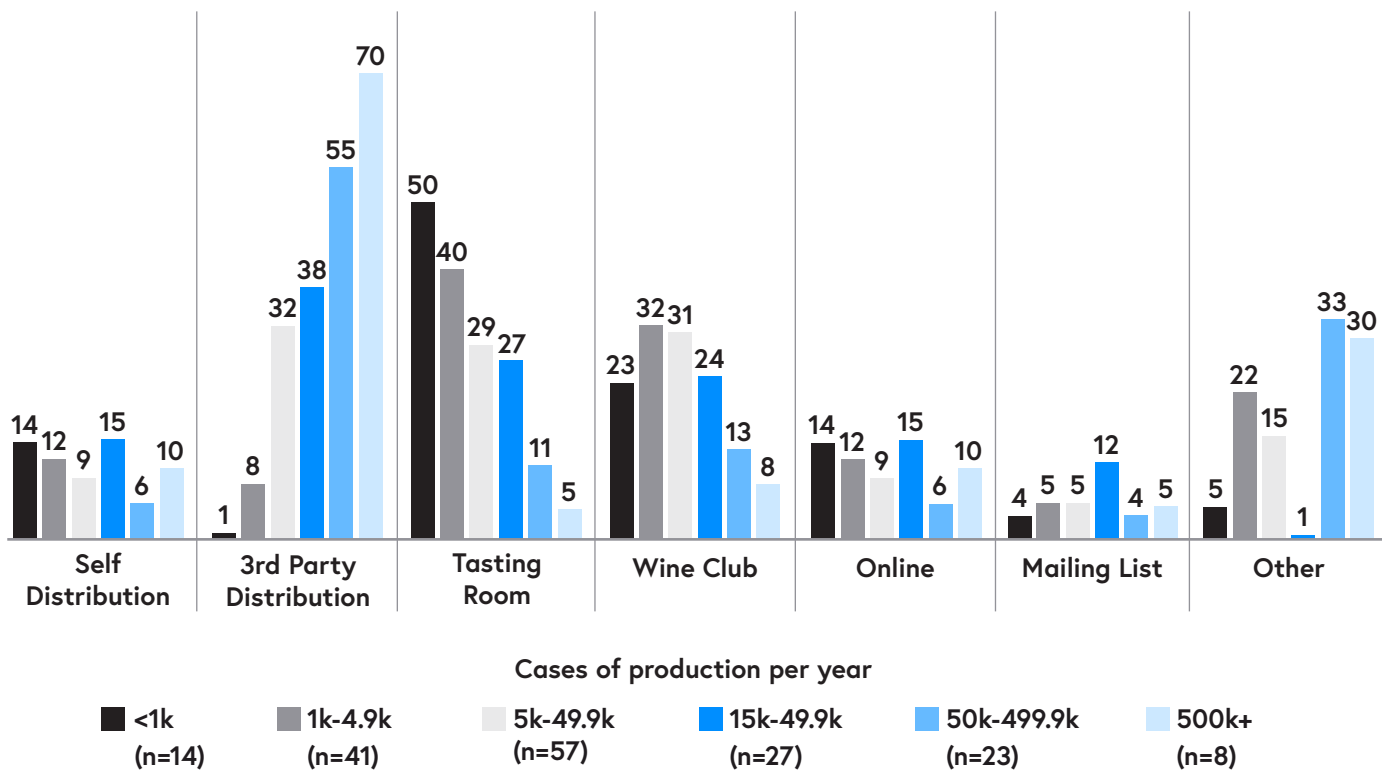
Point-of-Sale, Ecommerce & Wine Clubs

We asked wineries in our survey to provide a breakdown of the percentage of sales attributed to a variety of categories in a typical year, and we found two major themes. Larger wineries are more likely to have a higher portion of sales (55-70% self-reported in our survey) coming from third-party distribution, while smaller businesses depend heavily on DTC sales, especially in the tasting room (40-50% of sales).

These figures are consistent with recent data from the Wines Vines Analytics database that indicates wineries producing less than 1,000 cases per year attribute 75%

of sales to the broader DTC category, while the largest wineries (500,000 cases and above) credit it with only 18% of annual sales.⁵

What Percent of Your Sales Normally Come From Each of These Channels?



These numbers are average % of sales that respondents indicated come from each channel therefore they do not all add up to 100% because of averaging. Numbers should be used directionally and not in absolute sense.

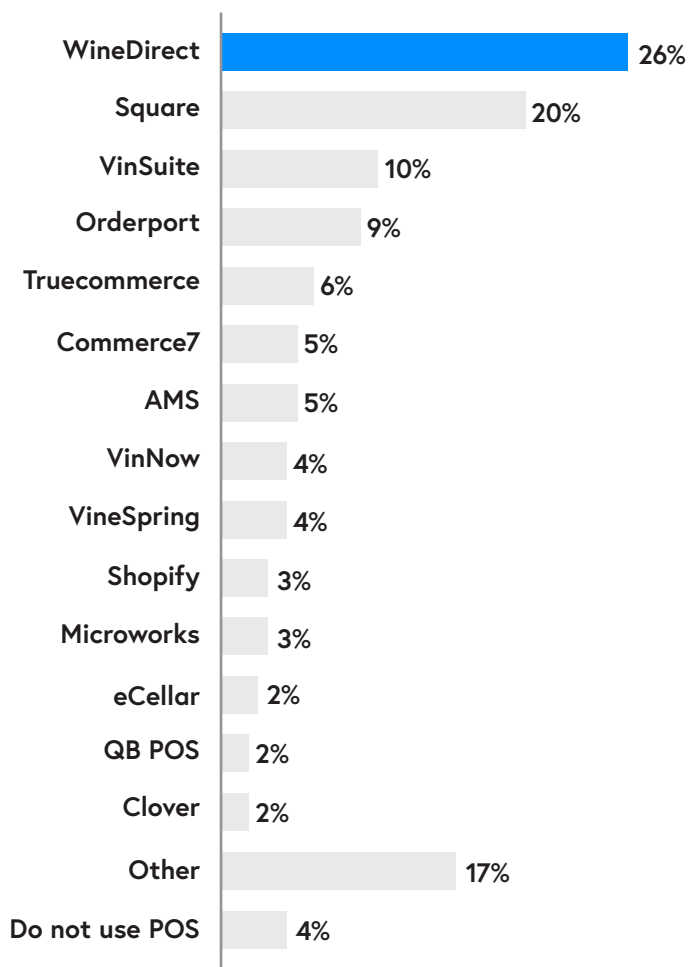
Point-of-Sale Systems

If your winery has a tasting room, a POS system is vital to your business — plus, it's a great way to gain leads for events, ecommerce sales, and your wine club. While the choices can be overwhelming, the plethora of options means you have the opportunity to find the perfect solution for your needs. With the rise of ecommerce and wine club technology (discussed in the next section), many wine businesses are choosing systems that can

offer a wide variety of services, avoiding the need to purchase separate solutions for different direct-to-consumer channels.

Our analysis found that WineDirect is the most popular POS vendor across segments, capturing 26% of survey respondents. Square follows close behind at 20% and is used more by the small- and medium-sized wineries in our sample. Vinsuite (10%) and Orderport (9%) are more popular among larger wineries (50,000 cases and above).

Which POS System Do You Use?



These numbers add up to more than 100% because some respondents indicated they use more than one system

How to Select a POS Solution

The reality is it may take some trial and error to figure out which vendor offers the right solution for your business. Some factors to consider include:^{6,7}

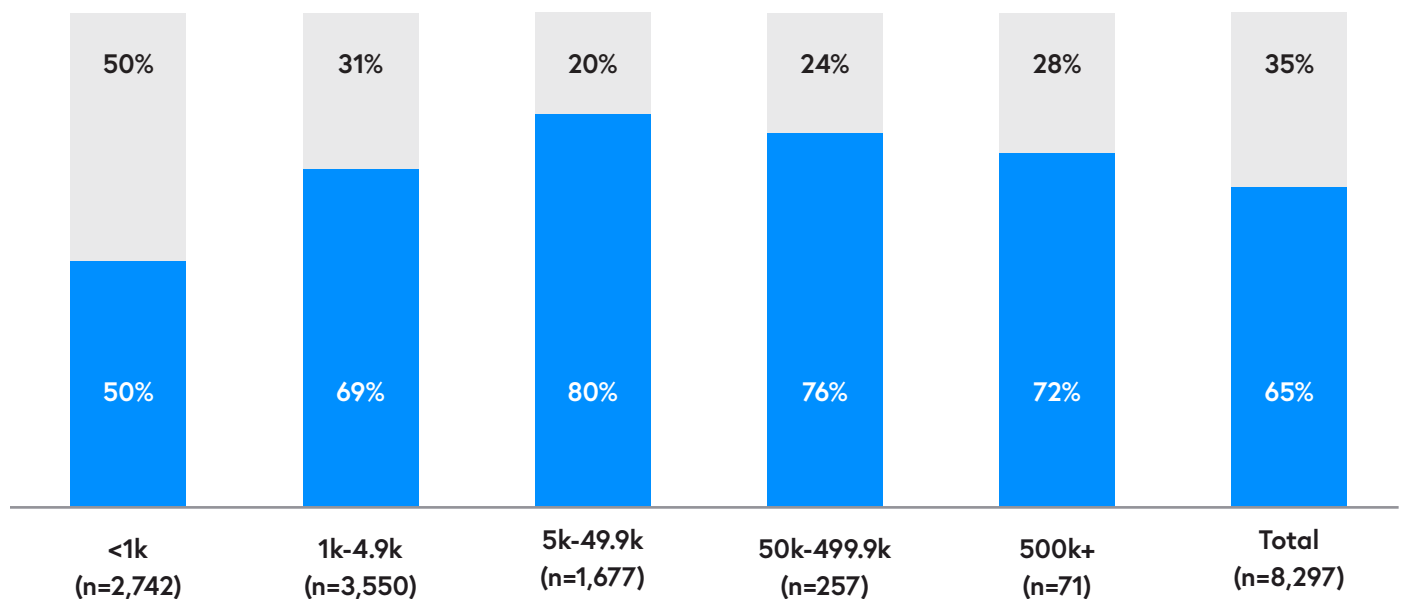
- Initial setup cost (time and money)
- Payment processing costs (e.g., percentage of sale plus charge per transaction)
- Other monthly processing fees (e.g., PCI-compliance fee, chargeback fees)
- Equipment costs/rental fees
- POS software features (e.g., invoices, ability to store customer data safely, inventory management, wine club, reservation management, access to customer analytics, etc.)
- Connectivity to other software you already use, including inventory/production software and wine club management system
- Robustness of reporting capabilities, and compatibility with your accounting software
- Support and training offered
- Frequency of feature releases and updates
- Ability to provide product feedback that gets incorporated into release plans

Ecommerce & Wine Club

Data from Wines Vines Analytics indicates that the majority of wineries, particularly mid-sized ones, have a wine club⁸ — but the 2020 State of the Industry Report from SVB points out that it has become more difficult to grow wine club memberships as tasting room visits in

wine country have begun trending downward over the last five years. Smaller wineries, especially in tourism-focused areas, have always relied heavily on tasting room visits for DTC sales, but the coronavirus pandemic demonstrated that a shift to digital is necessary for the wine industry to adapt and thrive in a changing market.

Wineries That Have Wine Club by Size



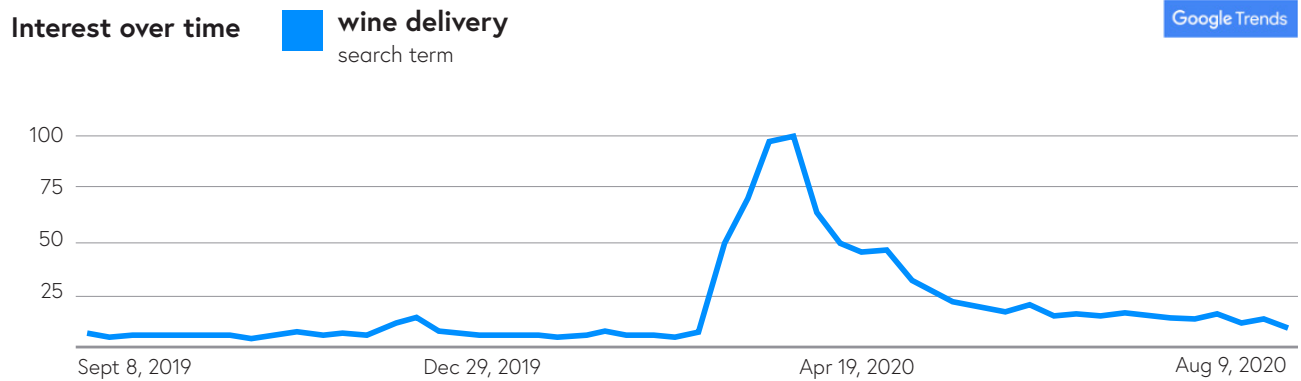
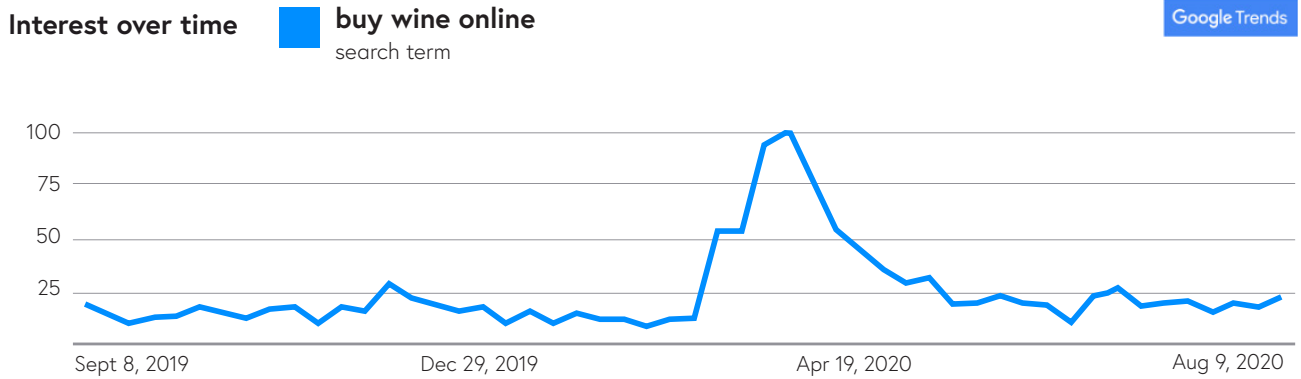
Adapting to Change: A COVID-19 Success Story

One winery we interviewed quickly pivoted to online sales and in-person pickup at the beginning of the pandemic and found unprecedented success.

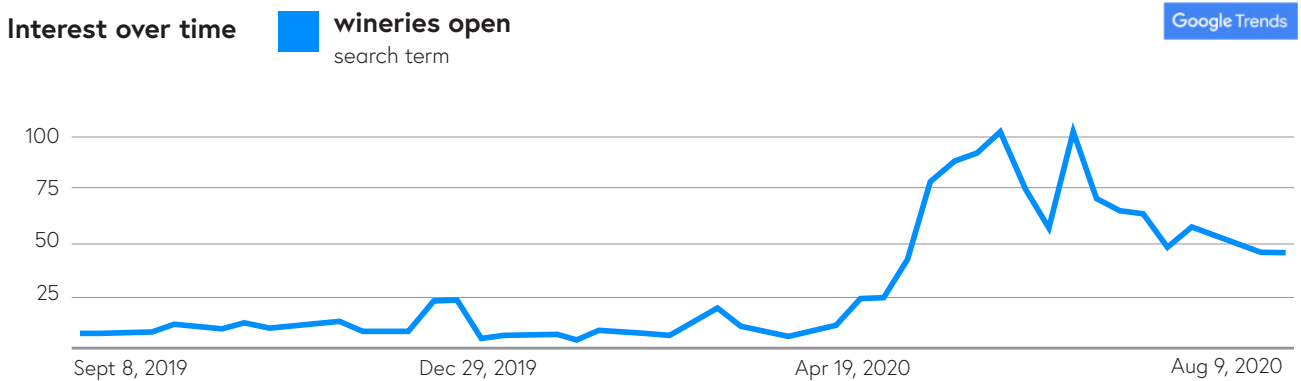
- April 2020: Began offering 40% discount on one wine each day, allowing customers to order online and stockpile their purchases for pickup later on if they preferred.
- April sales increased 31% year-over-year. Under pre-pandemic circumstances, they would've expected to grow only 13%. Without the promo, they would have decreased sales by an estimated 50% due to COVID-19.
- June 2020: June sales doubled May numbers and ended even higher than April.

SVB Data from March 20 to May 8 (2020) showed phone and ecommerce orders rising from 3% to 26% of total sales and wine club orders from 23% to 35%. Wine consumers quickly shifted to ecommerce to buy their wine during the pandemic, as indicated by Google search trends for the terms "buy wine online" and "wine delivery."

"Buy Wine Online" & "Wine Delivery" Search Terms Over Time



"Wineries Open" Search Trends Over Time



Time will tell if digital strategies remain permanent fixtures for wineries moving forward, as consumers seem eager to get back into the tasting room after being forced to stay away for most of the year. However, with the downward shift in tasting room visits compared to previous years and the ever-present need to appeal to younger consumers, it's clear that the market was demanding a digital shift even before the COVID-19 crisis.

Retail wine clubs have run with this idea, with companies like Winc, Bright Cellars, Firstleaf, and others targeting young consumers with digital, personalized wine offerings shipped directly to their door on a monthly basis. Clearly young drinkers are open to wine clubs, but they expect a level of personalization and convenience that many production wineries have yet to offer. Going after these audiences with curated allocations and ecommerce options can help you compete.

Wines Gifts Discover Invest **Winc** Sign in [Get Started](#)

Discover the wine of your dreams.

1 quiz.
Your journey to membership starts with a one-minute quiz.

6 questions.
Do you like mushrooms?
We're dying to know.

4 bottles.
We'll tailor 4 delicious wines to your taste preferences each month.

3 Reasons Ecommerce Is Important

1. **Increase your reach:** In a competitive market like craft alcohol, your goal is to reach potential customers via every possible avenue. While consumers will trickle back into the tasting room as the pandemic subsides, ecommerce will continue to enable you to reach a much wider audience in various demographics and geographies.
2. **Match consumer demand:** According to Rabobank's 2020 Alcohol E-Commerce Playbook, the online alcohol market saw a 60% jump in year-over-year sales in 2019.⁹ That means the alcohol ecommerce space was growing long before COVID-19, and the pandemic has given it even more of a boost. With that in mind, alcohol producers can provide a better customer experience by matching the demand of the market with options to purchase products online.
3. **Protect your business:** As the coronavirus pandemic has taught us, you can never be too prepared for unexpected events. While you can't go back and change the past, you can invest in tools like online ordering now to help diversify your sales channels and prevent the chaos of a potential shutdown in the future. There's no way to know how long this crisis will last or if a similar one will happen in the future. The only thing you can do is be ready.

How Do You Think the Wine Industry Will Change in the Next 5 Years?

Need more evidence that digital is the way of the future? Take it from your peers and their answers to the question above.

“Direct to consumer, virtual tastings, and customized wine club memberships.”

- California winery producing 4,000 cases per year

“More experiences and sales online. Things were already moving this way before COVID, but it has only pushed it to the forefront.”

- California winery producing 5,000 cases per year

“More direct sales through ecommerce and social media platforms and virtual/at-home tastings or experiences, all driven by the changes we have experienced by the COVID-19 impact.”

- Washington winery producing 15,000 cases per year

Reaching Younger Audiences with Digital Marketing Strategies

- 1. Social media.** Dedicate time every day to posting on social media. Focus on Instagram and aim to post to your feed at least once per day and your story multiple times per day. Content can be anything from product releases and on-site events to behind-the-scenes production photos and videos. Think about how you want your brand to be seen, and make sure the content you post reflects that.
- 2. Email marketing.** If someone has purchased your wine, visited your tasting room, or shown any interest in your brand online, get them on your mailing list. Ask folks in person, have prominent forms on your website, and encourage social media followers to sign up so they can get exclusive offers and news. Obviously, you must also follow through with offers that pique their interest and encourage purchases, like personalized allocations, discounts or sales, and exclusive access to new releases. Use a CRM system — even a basic one — to build up your list of contacts and keep track of their interaction with your marketing efforts.
- 3. Ecommerce.** A recent survey found Generation Z consumers (the youngest wine drinkers) were more likely to have increased their wine consumption during the COVID-19 crisis, and consumers that increased wine purchases during this time were more likely to have ordered wine for pick-up at a winery, ordered wine for home delivery, belong to a wine club, or purchase wine online.¹⁰ In other words, if you want to reach young wine drinkers, you need to implement ecommerce and heavily promote it through all your digital marketing channels.
- 4. Wine club.** Many tourists who visit your tasting room may not sign up for your wine club since they don't live locally — but they might sign up if you offer them a digital subscription while they're still on the "high" of their great experience on site. Offering a wine club digitally with DTC shipping and offering perks helps you turn a one-time visitor into a brand advocate and repeat customer. It also opens up your wine club to those who may never enter your tasting room.





Tying It All Together: Winery Management Software

If you're not currently using a system to manage your inventory, production, sales, and accounting data, you might consider that as the next step in your technology journey. Business management software like [Ekos](#) serves as the central hub for all your vital business information, creating a complete system of record that helps you get accurate data across your entire business. Plus, you can connect many of the other software solutions discussed in this white paper, like your accounting and POS systems, to improve the flow of data in your organization and extract better insights for improving the performance of your business. When you have the right information at your fingertips, you can make smarter, faster business decisions.

Business management software also helps you see how your day-to-day processes are (or are not) working from an operational perspective. Are the sales and production teams working in sync to produce the right amount of product at the right time to keep up with (but not wildly exceed) sales? As a leader, using software allows you to focus team meetings on training and development, rather than keeping employees up to speed on things that have

already happened. If someone needs to know what's going on, they can just check in the system and follow up as needed.

And as the coronavirus pandemic taught business owners everywhere, being able to manage your business when you can't be there in person is crucial. A cloud-based business management software helps you keep an eye on things no matter where you and your team happen to be.



Summary: The Future of Wine Is Here

“Technology will become more important than ever across all aspects of the business and digital sales/marketing will be more widespread than it already is.”

– Director of Marketing at Oregon winery producing 15,000 cases per year

Winemaking is steeped in tradition, and that legacy will remain generation after generation. But in order for wine businesses to stand the test of time, owners must adapt to new changes and combat increased competition. That means adopting technology to increase efficiency, improve communication, and make smarter business decisions.

While wineries have begun the transition from traditional tracking methods to digital, there is still plenty of room for improvement. Consider repositioning your business now, during this time of change, so that you're prepared to tackle whatever challenge comes next.

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