

Studies & Research Impact Retailer Shipments:

What numbers and studies tell us
about the industry?

Sean O'Leary
President
O'Leary Law and Policy Group, LLC

Is DTC Shipping safe?

Depends on who you ask

- ▶ Some studies indicate that DTC wine shipping will lead to dangerous consequences
- ▶ Mainly an increased likelihood minors will get their hands on wine
- ▶ They claim there are numbers to back up their theory
- ▶ Other studies indicate the opposite and that their numbers cast doubt on this theory

So who is right?

Divergent studies

- ▶ There are divergent studies to analyze
- ▶ In one corner is the Moms and Massachusetts studies highlighted by the Wine and Spirits Wholesalers of America (WSWA)
- ▶ In the other corner is the VinoShipper study, which counteracts the Wholesaler's position

VinoShipper Study

- ▶ VinoShipper collected data from registered buyers over a three year period (Q1 2020 through Q4 2022)
- ▶ The sample size during that period was 633,985 registered buyers
- ▶ Registered buyers are those attempting to make a purchase

VinoShipper Study

- ▶ Of those 633,985 attempted purchases, 943 were attempted by minors
- ▶ In statistical terms, .0015% of all attempted purchases were by minors
- ▶ At a macro level, 943 averages out to one minor in the whole country attempting to purchase alcohol on a single day

VinoShipper Study

- ▶ The VinoShipper study clearly demonstrates that minors are not accessing the internet to purchase alcohol
- ▶ With only .0015% of all attempted purchases were by minors, they are not entering the electronic marketplace to purchase alcohol
- ▶ If minors are purchasing alcohol, they are purchasing it from other sources

VinoShipper Study

- ▶ Other source to attempt purchases, are brick and mortar locations
- ▶ Unlike VinoShipper brick and mortar do not traditionally track attempted purchases from minors
- ▶ A Texas ABC sting on liquor stores indicated that 127 stores out of 1,726, 9% of all stores, sold alcohol to minors

VinoShipper Study

- ▶ Scarce state resources means state can only sample a small amount of the retail locations
- ▶ When compared brick and mortar, technology is doing a better job as a gatekeeper
- ▶ Technology can track who purchases and provide data on who is purchasing

Why Believe VinoShipper

- ▶ VinoShipper's numbers seem excessively low, why are they credible?
- ▶ VinoShipper employs third-party software, IDology that age verifies by public records
- ▶ If your name and address don't match public records, the purchase is rejected
- ▶ If your name and address match someone under age, your purchase is rejected

Why Believe VinoShipper

- ▶ IDology is 100% effective at blocking minors from completing a purchase
- ▶ Someone can present a fake ID, no one can fake their name and address
- ▶ Plus, there is another barrier to entry purchasing online, a minor needs access to a credit card that is difficult to obtain

Critics of VinoShipper

- ▶ Critiques of VinoShipper come from WSWA, which claims the VinoShipper study is biased, because the study was conducted by the President's son and the sample size is irrelevantly small
- ▶ As for the bias analysis, the data is not VinoShipper's, it is IDology's, a third-party company, WSWA never challenges IDology's data
- ▶ As for the sample size, WSWA claims it only represents 2% of all wine orders
- ▶ Yet in another WSWA study, 2,000 moms out of 85,000,000, is deemed an acceptable sample size

State and WSWA Studies

State and WSWA Studies

- ▶ Massachusetts conducted an investigation into DTC shipping and reached certain conclusions
- ▶ WSWA conducted a study where mothers are strongly against DTC shipping
- ▶ What do these studies tell us?

Massachusetts Study

- ▶ Massachusetts conducted a study into DTC shipping, which resulted from compliance checks
- ▶ Under the compliance checks, 96% of DTC licensees accepted orders and payments from a 15 year old
- ▶ 98% of shipment boxes were labeled with alcohol stickers
- ▶ 26% of shipments were left at the door
- ▶ 43% of shipments did not obtain an adult signature
- ▶ Zero age verified upon delivery

Massachusetts Study

- ▶ Massachusetts blames much of the issues on fulfillment houses
- ▶ This problem leads to many unlicensed shippers
- ▶ Massachusetts also sat down with the common carriers to go over results

WSWA's Moms Study

- ▶ WSWA acted in concert with Morning Consult to poll 2,000 moms about DTC shipping and minors
- ▶ The study focused mostly in New York and Texas
- ▶ Both states introduced spirits DTC shipping bills

WSWA's Moms Study

- ▶ According to the findings, 91% of the mothers think that underage drinking is important to consider when drafting laws and regulations
- ▶ 78% of moms believe it is extremely important
- ▶ 73% of moms in Texas and New York are concerned DTC shipping will increase underage access to alcohol

WSWA's Moms Study

- ▶ 68% think state regulation of alcohol is about right
- ▶ 78% of moms recognize the importance of alcohol distributors when it relates to public health and safety
- ▶ Moms are more likely to believe ID checks done at local retailers are more effective than delivery personnel

So Who is Right?

- ▶ I asked this question in the beginning
- ▶ VinoShipper and WSWA are telling two different stories
- ▶ VinoShipper indicates that technology makes DTC safer than brick and mortar retail, WSWA says the opposite

So Who is Right?

- ▶ Massachusetts ran a simulated study under a government sting, where a 15 year old goes online to purchase product
- ▶ VinoShipper's data derives from a natural course of business
- ▶ VinoShipper does not simulate scenarios or situations

So Who is Right?

- ▶ Massachusetts derives its data from a situation that does not reflect a natural course of events
- ▶ VinoShipper's data derived from an unbiased third party, shows that minors are not accessing the electronic marketplace in the first place

So Who is Right?

- ▶ The probability of Massachusetts situation occurring, a 15 years old going online to order, is low to statistically non-existent
- ▶ Massachusetts' numbers don't reflect the natural course of events
- ▶ VinoShipper's numbers reflecting the lack of minors attempting to purchase alcohol are accurate and reflect reality

So Who is Right?

- ▶ WSWA study on mothers has some issues
- ▶ WSWA indicated that VinoShipper's sample size, 2% of all wine shipments is a drop in the bucket
- ▶ WSWA study relies on 2,000 moms out of an estimated 85,000,000 moms, that represents .000023% of all moms
- ▶ Under WSWA's own standard, the sample size is not valid

So Who is Right?

- ▶ WSWA performed the study with a partner
- ▶ Its press release of the survey does not present the questions in the study
- ▶ Depending on how a question is asked can determine how it is answered

So Who is Right?

- ▶ There is no independent third-party verifying this study
- ▶ VinoShipper in contrast relies on a third-party's data
- ▶ There is more of an objective analysis with VinoShipper than with WSWA's study

Studies on Wine Consumption

Studies on Wine Consumption

- ▶ According to an IWSR Study, wine consumption dipped into 2022, even though wine drinkers as a group grew
- ▶ There were 4 million more drinkers consuming wine on a weekly basis in 2022 than in 2018
- ▶ Yet, wine volume dropped in 2022 by 2%

Studies on Wine Consumption

- ▶ So, how to explain numbers that seem contradictory
- ▶ More consumers should lead to greater volume of sales

Studies on Wine Consumption

Moderation

- ▶ A big and growing movement towards drinking less alcohol
- ▶ Wine drinkers are drinking more regularly, but in smaller volumes
- ▶ Moderation is part of the consumer system

Studies on Wine Consumption

Up Trading/Premiumization

- ▶ Wine drinkers are drinking less, but putting a greater emphasis on premium
- ▶ Below \$10 wines declined in sales, premium and prestige wines increased
- ▶ Younger crowd (21-34) made up 45% of all wine drinkers, they are less price conscious than older consumers

Studies on DTC

SOVOS Report on winery shipping

- ▶ In 2022 volume was down 10.3%
- ▶ The average price per bottle increased 9.7%
- ▶ Previous year average bottle increased by 11.8%

SOVOS Report on winery shipping

- ▶ Consumers purchasing wine under \$50 per bottle, pulled back on purchases
- ▶ Wines above \$100 per bottle, did not lose ground during the year

SOVOS Report on winery shipping

- ▶ Wine under \$50 per bottle, represent roughly 70% of the market and saw a 14.5% decrease
- ▶ Premium is winning out in the marketplace

Sean O'Leary

President
O'Leary Law and Policy Group, LLC

- ▶ Tel: 773-490-6738
- ▶ Email: sean.oleary@olearylpgroup.com
- ▶ Blog: irishliquorlawyer.com

