

How Big is the Opportunity for Selling Wine Online?

After a year that the U.S. Commerce Department estimates retail ecommerce sales exceeded \$100 billion for the first time, analysts have begun speculating where the current trajectory of growth is likely to take us. Online sales have been consistently growing at rates of over 20% since 2002 to the extent that they now represent 3.3% of total retail sales. How long can this rate of growth continue?

In their “U.S. Online Retail Forecast”, JupiterResearch predicts the growth in online sales will begin to drop below 10% by 2010. These estimates are based on an assumption that “online retail sales are maturing, and the lion’s share of future growth will primarily come from existing buyers spending more in the online channel.” Overall ecommerce sales are expected to eventually settle between 10-15% of total retail sales.

However, their report points to an easily overlooked by-product of the Internet with web-influenced offline sales continuing to grow to such an extent that by 2011 JupiterResearch expects “almost half of all retail sales will be either influenced by Internet advertising or research, or actually transacted online.”

Over the same 5 year period, it is expected the U.S. will become the largest wine market in the world growing 18% from 2005 to represent \$22.75 billion annually. The Wine Market Council attributes this growth in wine sales to a number of factors including “the adoption of wine in early adulthood by the leading edge of Millennial generation young adults”. This demographic group aged 9 to 28 is larger than the Baby Boomers, and the majority of Millennials own a laptop which gives them wireless Internet access pretty much anywhere they go.

Seize Online Opportunities

Retail stores are to varying degrees local

businesses where the opportunity for growth has traditionally come from adding locations to capture a larger share of the potential market. Today the most effective way for an ambitious store to expand beyond the neighborhood and into new markets is to reach out online. The full opportunity on the Internet for a wine store is to reach customers that are predicted to purchase a significant portion of the total retail sales for wine, whether those sales happen online or offline. Unfortunately, this potential can be restricted by state laws that are intolerant of interstate shipping.

Meanwhile, there are likely to be significant legislative changes over the next five years that could improve this situation for online wine merchants in more restrictive states. Legal battles are still being fought over whether wineries and retailers can legally ship interstate and some expect that the Supreme Court will have to be more explicit about what states can and can’t do with regard to the 2005 Granholm ruling.

The newest wave of lawsuits is challenging revisions to state laws that were written to comply with the Supreme Court ruling. Most lawsuits deal with the question of whether volume caps and in-person purchasing requirements represent discrimination against out-of-state wineries.

If the open market advocates win their day in court there is a possibility that more states will update their interstate shipping policies to permit retailers to ship in and out of their markets. Such a concession is likely to be accompanied by a tax collecting and reporting responsibility, which is a sure sign of legitimacy. Given the size of this market opportunity you cannot afford to watch while other stores establish their brands online.

To learn more about how the Beverage Media can help with a website for your retail store, contact Ian Griffith at ian@bevmedia.com, (212) 571-3232 x318, or visit www.bevnetwork.com/retailweb.