As Napa Valley Booms, Rising Direct Sales Have Retailers Feeling Left Out

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Lifted by a string of great vintages and soaring demand for Cabernet Sauvignon, the Napa Valley is enjoying an unprecedented boom. After blockbuster vintages in 2012, 2013 and 2014, its renown is greater than ever, and despite rising prices, demand for top-end Napa Cabernet continues to soar. “The luxury Cabs will become more expensive and harder to obtain,” says Veronica Litton, wine buyer at Crown Wine and spirits, the 13-unit chain based in Fort Lauderdale, Florida. “Customers are willing to pay. The only issue is supply—not price.”

Indeed, getting sufficient inventory has become a major headache for traditional retailers, and not only due to demand. It’s also because Napa continues to move toward the direct sales model, which is more profitable for wineries. “It’s gone from about 25% winery-direct sales in the early 1990s to about 60% today for the average Napa winery, though the larger producers do a lower percentage of direct sales,” says Rob McMillan, executive vice president and founder of the wine division at Silicon Valley Bank.

Top luxury Cabernets like Harlan Estate, Bryant Family and Colgin have always been available in tiny allocations, but that scenario is now playing out more broadly, and many retailers are feeling left out of Napa’s upswing. “We get enough mainstream Napa wines, but it’s a different story with the most desirable ones,” says Charles Sonnenberg, owner of the three-unit Frugal Macdoogal Wine & Liquor Warehouse in Nashville, Tennessee. “So many of them are now being sold direct—none of that allocation filters down to us.”

“Every year it’s a fight for allocations,” agrees Ed Sands, owner of Calvert Woodley in Washington, D.C. “The top wineries are holding back more than ever for their private customers, which I don’t think is a good thing. They’re also doing multiple releases like they do in Bordeaux, with a first and second tranche.”

Some retailers are seeking out Napa’s emerging luxury players as alternatives. “Starting with the 2012 Cabernet Sauvignons, we began focusing on new producers like Hourglass Estate and O’Shaughnessy Estate, which got scores in the mid-90s,” says Joseph Tedesco, wine department manager at Hazel’s Beverage World in Boulder Colorado. “Those brands run from $80 to $200 a 750-ml. bottle. Limitations on the better-known labels have prompted us to seek other options.”
Russia may increase wine imports tax: Views from Georgia

Russia plans to double excise tax on wines. Ministry of Finance of Russia has already submitted due initiative to the government. The amendments are part of the 2017-2019 tax strategy project and it will not supposedly refer to sparkling and fruit wines.

Under the project, excise tax for imported wines will increase to 18 Rubles from 9 Rubles per liter, while the rate will rise to 10 Rubles from 5 Rubles on wines with geographical indications protected by Russian brands.

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