

2023

DIRECT TO CONSUMER

Beer Shipping Report

SOVOS
ShipCompliant



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PHOTO © BREWERS ASSOCIATION

The State of Direct-to-Consumer Beer Shipping in 2023

If a brewery were able to legally offer DTC shipping,

regular craft beer drinkers would likely boost its business with increased sales and favorable social support

85% would be likely to try a new beer from that brewery

82% would be likely to purchase more frequently from that brewery

72% would be likely to post on social media about the brewery

86% would be likely to think more positively of the brewery

85% would be likely to recommend the brewery to friends & family

71% would be likely to subscribe to a beer club

State laws aren't keeping up with consumer demand

States and brewers are missing out on potential revenue. Among regular craft beer drinkers that would like to purchase beer via DTC shipping

81%

of regular craft beer drinkers have tried a beer while traveling that they wish they could purchase but it's not available near their home



88%

of regular craft beer drinkers believe there should be greater legal access to DTC beer shipping

72%

say they would spend \$50 or more per month if they could



51%

say they would spend \$100 or more per month if they could

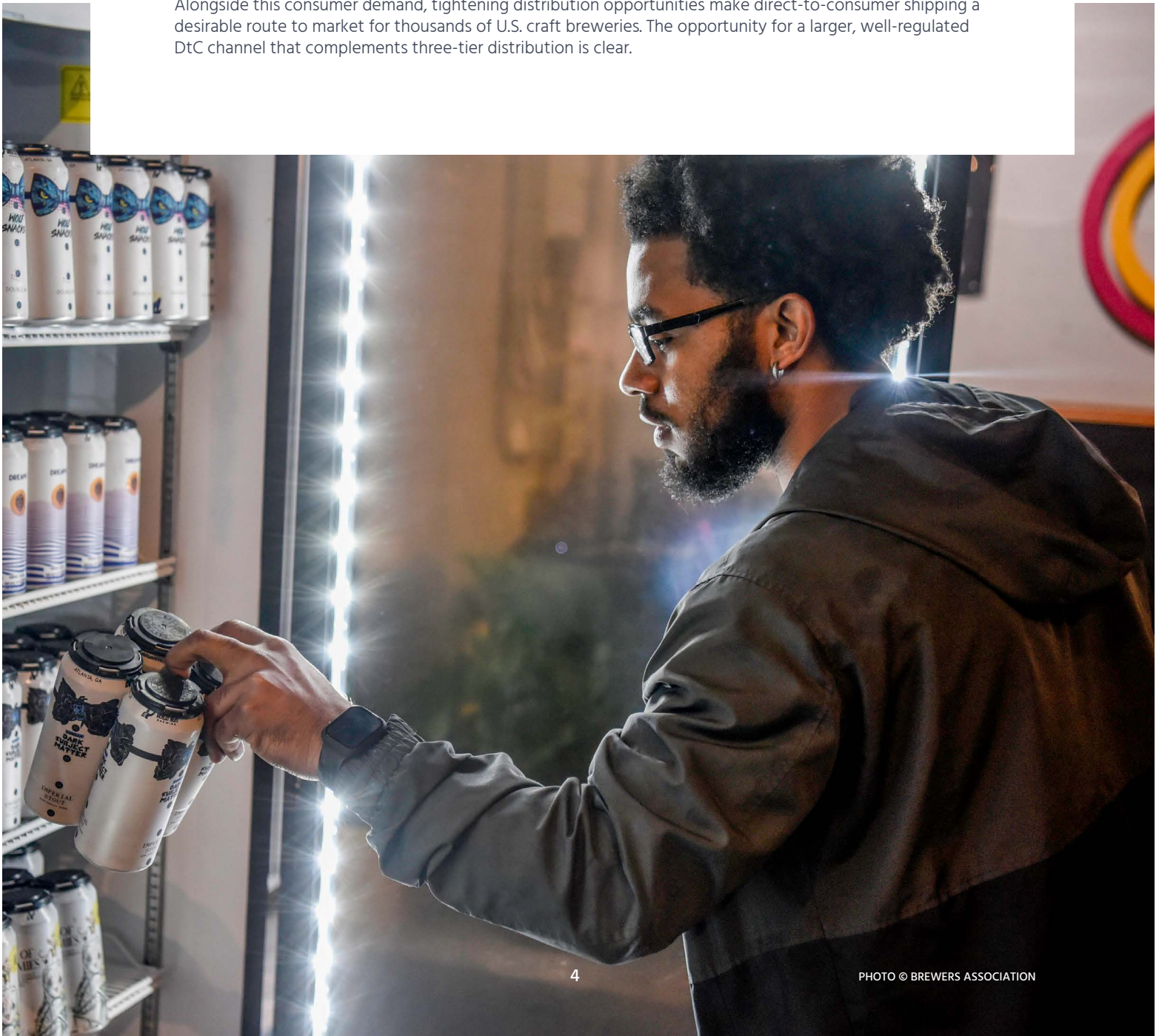


Source: Survey conducted online within the United States by The Harris Poll on behalf of Sovos ShipCompliant from January 3-5, 2023 among 756 U.S. adults ages 21 and older who drink craft beer at least once per month. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact helloship@sovos.com.

Introduction

The interest and enthusiasm for direct-to-consumer (DTC) beer shipping documented in the Direct-to-Consumer Beer Shipping Report over the past two years has only grown in 2023. This emerging market holds a great deal of interest for regular craft beer drinkers, according to the results of the most recent consumer survey commissioned by Sovos ShipCompliant in partnership with the Brewers Association. (Survey conducted online by The Harris Poll among 756 regular craft beer drinkers, defined as Americans ages 21+ who drink craft beer at least once per month.)

Alongside this consumer demand, tightening distribution opportunities make direct-to-consumer shipping a desirable route to market for thousands of U.S. craft breweries. The opportunity for a larger, well-regulated DTC channel that complements three-tier distribution is clear.



The Regulatory State of DtC Beer Shipping

What is DtC shipping?

Direct-to-consumer shipping is the shipping of alcohol directly to the purchaser through delivery by a third-party carrier (e.g., UPS or FedEx). In DtC shipping, the sale is made directly from the producer to the customer, who receives the order shipped directly at their residence or other personal address. In order to ship their beer, a producer must abide by the laws and requirements of the state they ship into, which often includes getting licensed and paying taxes on their shipments.

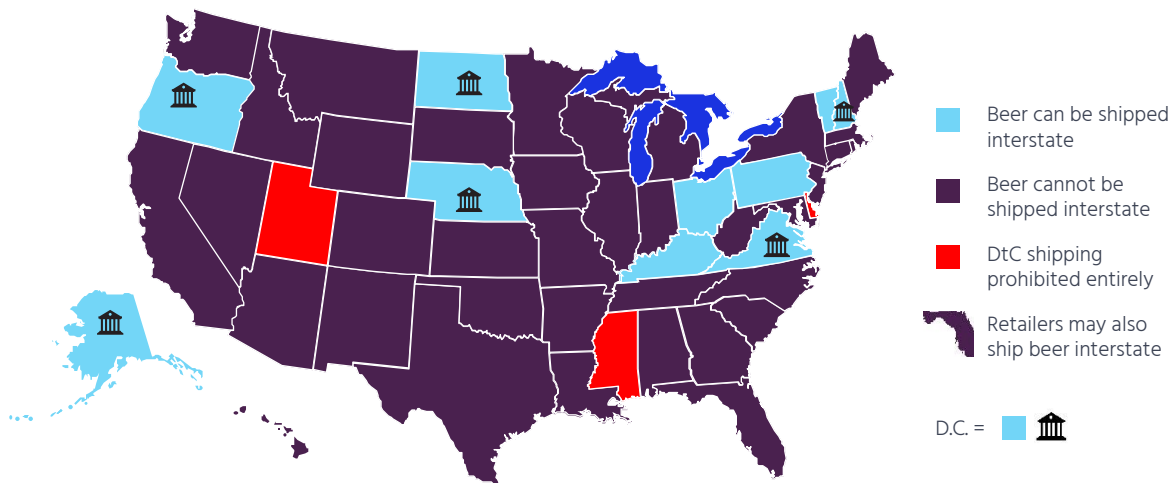
As of this report (March 2023), brewers may ship beer DtC across state lines in the 11 states plus D.C. that permit it—see map below. Sovos ShipCompliant also tracks [DtC Beer Interstate Shipping Compliance Rules](#) online; visit this page for the most up-to-date information as states make rules changes.



Each state that permits interstate DtC beer shipping maintains its own varying rules governing the practice. As of March 2023, the only states that provide clear, statutory authority for brewers to legally solicit and fulfill sales remotely and across state borders are Alaska, Kentucky, Nebraska, New Hampshire, North Dakota, Ohio, Vermont and Virginia, as well as the District of Columbia. The other three locales that permit some form of DtC shipping have distinct parameters as described below.

- **Oregon** will only issue a shipping license to brewers located in states that themselves allow beer to be shipped DtC.
- **Pennsylvania** will only issue a shipping license to a party licensed in their home state as an off-premises retailer or wholesaler. A manufacturing license that permits the holder to also act as a wholesaler or retailer is insufficient; the brewery must hold a separate license specifically for wholesalers or retailers.
- **Rhode Island** permits beer that was sold to a consumer who was physically present at the brewery's premises at the time of purchase to be shipped, but does not allow other types of DtC shipping (e.g., remote online ordering).

Who Can Ship Beer Where?



* Oregon will only issue licenses for beer shipping to breweries located in states that themselves permit DtC shipping of beer
* Pennsylvania will only issue licenses for beer shipping to brewers that hold specific wholesaler or off-premises retailer licenses; a manufacturing license alone, even one that grants such permissions, is insufficient
* Rhode Island only permits DtC shipments when the purchase was made when the buyer was physically present at the brewery

Accurate to March 2023

Recent Regulatory Trends

Proponents of DtC shipping of beer may be feeling a little bit of regulatory déjà vu, as 2022 ended up greatly resembling 2021. The year began with optimism as bills to expand DtC beer shipping were introduced in a handful of states. Then the reality of legislating, full of politicking and dealmaking, began to erode the effect of those bills, until they had all succumbed to a lack of support, many dying quietly in committee.

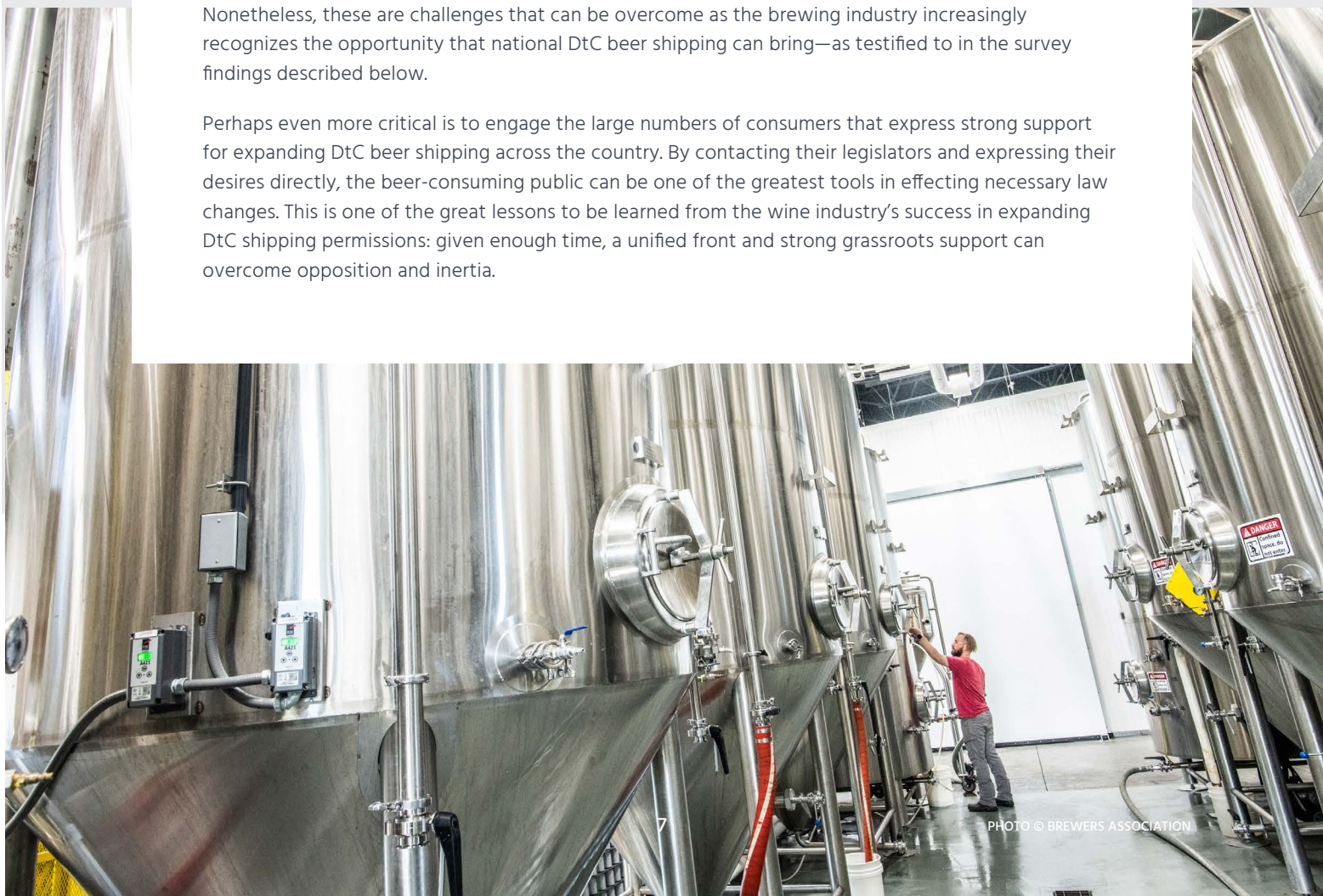
Efforts in Maine and New York failed to get off the ground, and a much hoped for bill in California faced such stern opposition from local interest groups that beer was dropped from the bill's language early on to not distract from efforts there to create permanent DtC shipping permission for spirits (which itself eventually failed). A beer-only shipping bill then passed the California Senate on a unanimous vote, only to die in Committee in the Assembly due to wholesaler and organized labor opposition.

That is not to say that state legislators were inactive in 2022, but their focus was instead more on establishing rules and policies for local delivery of alcohol: to-go cocktails and third-party services working with retailers. Perhaps with those issues in the rearview mirror there could be more appetite among lawmakers to consider expanding DtC shipping permissions in 2023.

In 2022, the DtC beer shipping bills that were introduced faced several challenges, including industry infighting and a concerted opposition that disparages any sale of alcohol that falls outside of the three-tier system.

Nonetheless, these are challenges that can be overcome as the brewing industry increasingly recognizes the opportunity that national DtC beer shipping can bring—as testified to in the survey findings described below.

Perhaps even more critical is to engage the large numbers of consumers that express strong support for expanding DtC beer shipping across the country. By contacting their legislators and expressing their desires directly, the beer-consuming public can be one of the greatest tools in effecting necessary law changes. This is one of the great lessons to be learned from the wine industry's success in expanding DtC shipping permissions: given enough time, a unified front and strong grassroots support can overcome opposition and inertia.



Consumer Preferences and Intent

This report's 2023 consumer survey demonstrates that when it comes to the expanded choice and the convenience of purchasing products for DTC shipping, the desire to purchase craft beer in this manner continues to be strong. What's more, future purchase intent for beer via DTC shipping is high.

Additionally, we see an increase year-over-year when it comes to trying beer from out-of-state breweries and there is a clear desire for more access to DTC shipping of beer. Results also suggest that breweries could experience many positive impacts, including increased sales and word-of-mouth advertising, if they were to offer DTC shipping of their beer.

This strong demand indicates that current limited DTC beer shipping laws inhibit not only brewers and the craft brewing industry, but also the would-be purchasers who would like to enjoy brands they cannot find locally.

Future purchase intent is high; marked increase in trying out-of-state breweries

Our survey results show that a majority of regular craft beer drinkers (79%) are likely to purchase craft beer via DTC shipping in the future, with nearly 2 in 5 (37%) citing that they are very likely to.

Additionally, we see a notable increase when it comes to intent related to purchase quantity and out-of-state breweries, again signifying consumer demand for more states to allow DTC shipping of beer. Nearly 4 in 5 regular craft beer drinkers (79%, up from 75% in 2022) would purchase more craft beer if they were able to have it shipped directly to their home. Additionally, more than 4 in 5 regular craft beer drinkers (85%, up from 77% in 2022) say the ability to purchase beer via DTC shipping would make them more likely to try beer from out-of-state breweries.

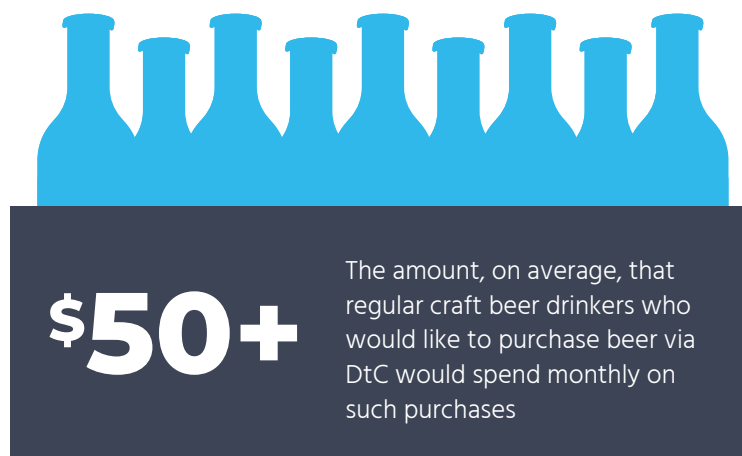


**Nearly 4 in 5
regular craft beer
drinkers say...**

- They are likely to purchase craft beer via DTC shipping in the future
- They would purchase more craft beer if they were able to get it via DTC shipping

Majority would spend \$50 or more monthly

With only allowing 11 of the 50 states plus D.C. allowing for DtC shipments of beer, a majority of Americans are unable to take advantage of this convenient purchasing method, indicating that there is quite a bit of missed revenue for both craft brewers and for the states that would tax their shipments. When asked how much they would spend on DtC-shipped beer purchases each month, nearly three quarters of regular craft beer drinkers who would like to purchase beer via DtC (72%) say they would spend \$50 or more. While it's difficult to directly predict consumer spending from a survey, these numbers underline the consumer demand for direct shipping options.



Word of mouth advertising, increased sales among the positive impacts of DtC shipping

Breweries that do not provide their customers with the option to purchase beer via DtC could be missing out on many positive impacts of doing so, not least of which are increased sales. A strong majority of regular craft beer drinkers (85%) say they would be likely to try a new beer from a brewery if offered a DtC shipping option, and a similar proportion (82%) would be likely to purchase more frequently from that brewery.

Also, more than two-thirds of regular craft beer drinkers (71%) would be likely to sign up for a beer subscription club, a welcome source of predictable recurring revenue for craft breweries.

While increased sales are an obvious benefit of providing customers the option to purchase beer via DtC shipping, there are other positive benefits of doing so, including word-of-mouth advertising and improved brand perception. Nearly 9 in 10 regular craft beer drinkers (86%) say they would be likely to think more positively of a brewery that offers a DtC purchasing option.

Additionally, more than 4 in 5 (85%) would be likely to recommend that brewery to family and friends, and nearly three quarters (72%) would be likely to share/post about that brewery on social media.

Most think more DtC shipping access should be permitted

With many regular craft beer drinkers missing out on purchasing beers they like, it's no surprise that an overwhelming majority of them feel that DtC beer shipping should be more accessible. Roughly 4 in 5 regular craft beer drinkers (81%) say they have tried a beer while traveling that they wish they could purchase but it is not available near their home, likely contributing to the desire for greater access.



81%

Proportion of regular craft beer drinkers who report having tried a beer while traveling that they would like to purchase, but it is not found near their home

In fact, nearly 9 in 10 regular craft beer drinkers (88%) believe that current beer shipping laws in the U.S. should be updated to make it legal to ship beer direct-to-consumer in more states than the 12 locales in which it is currently authorized.



88%

Proportion of regular craft beer drinkers who support increased legal access for DtC beer shipping



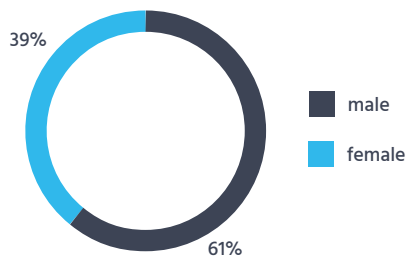
Desire for craft beer shipping has slightly increased, is on par with everyday use items

When it comes to products regular craft beer drinkers would like to be able to purchase and have shipped directly to their homes or someone else's home (say, as a gift) via a third-party carrier, the desire for purchasing craft beer in this manner has increased from 54% in 2022 to 61% this year. Additionally, craft beer is just as popular as self-care products (64%) and several everyday use items such as clothing (65%), paper products (58%) and food (58%).

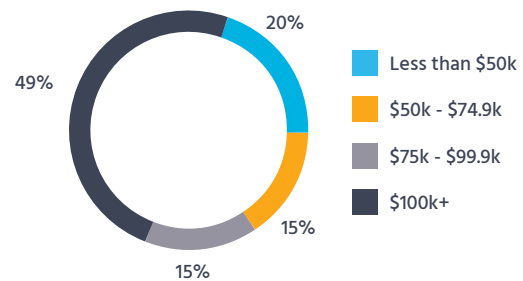
Future DtC Craft Beer Purchaser Profile

Regular craft beer drinkers who say they are likely to purchase craft beer via DtC shipping in the future are predominately:

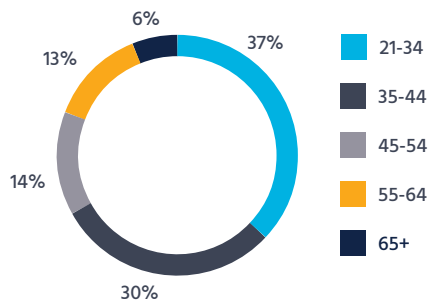
Gender



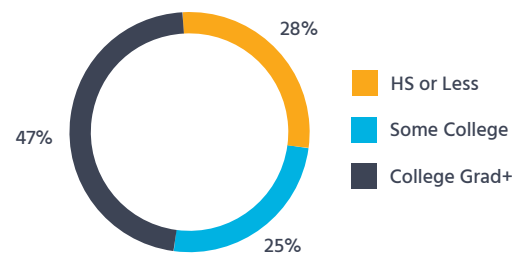
Those with an annual household income of \$75k or more



Between the ages of 21-44

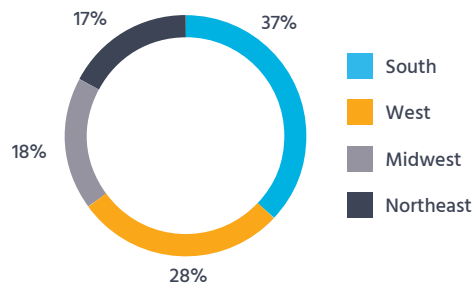


Have some college or more

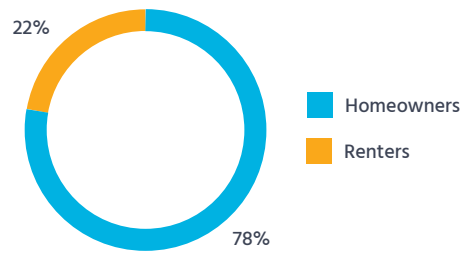


Regular craft drinkers who have purchased beer DtC tend to be:

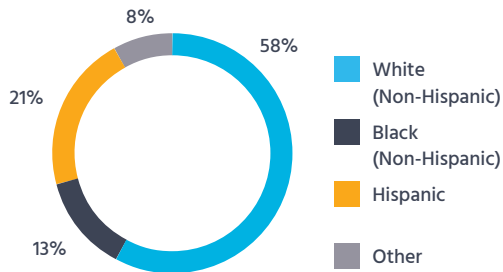
Residing in the South or West



Homeowners



White [non-Hispanic]



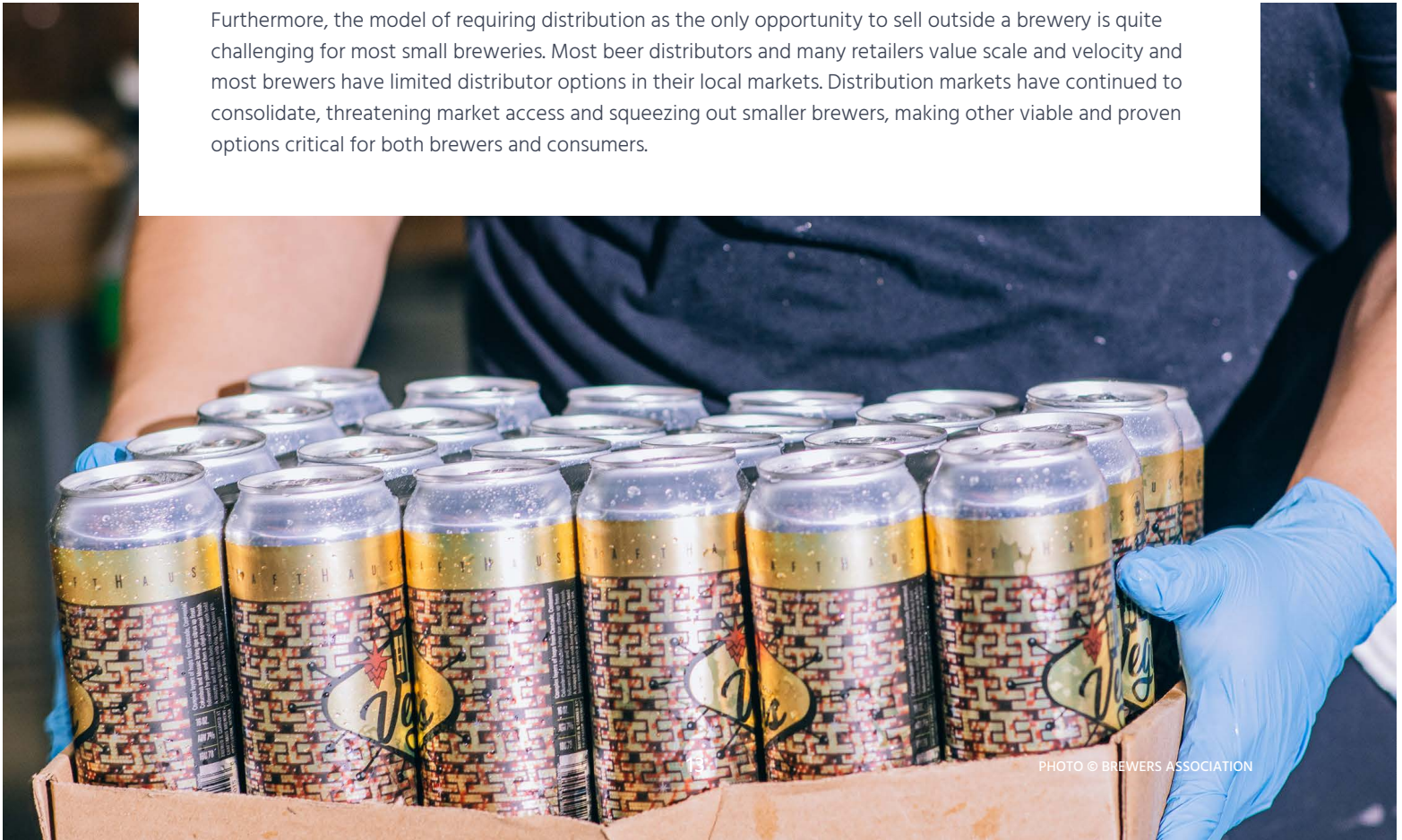
Brewers Association Perspective

The craft beer market in recent years has been marked by a duality: while there are signs that consumer demand and the total number of consumers continue to grow, distribution access has tightened, with more competitive and challenging routes to market outside of direct sales at taprooms and brewpubs.

The National Beer Wholesalers Beer Purchasers' Index, a directional indicator of what wholesalers are buying, has showed beer wholesalers purchasing less craft in 11 of the 12 months of 2022. Scan data shows craft sales down in packaged format and distributed draught sales remain below 2019 levels. This is despite a continued growth in total sales once you include beer sold directly from breweries. In sum, while there continue to be signs of consumer demand growth for beer from small breweries, that demand growth has not been accompanied by corresponding growth in distribution.

Direct-to-consumer shipping is one opportunity to bridge that gap between consumer preferences and the realities of the distributed market. As the survey data in this report has consistently shown, consumer demand exists for beers shipped to them directly from small brewers. Moving beyond consumer demand, in this competitive market environment, direct-to-consumer shipping is a critical channel for small brewers, both for the sales opportunities, as well as a channel to help demonstrate demand and gain access to further distribution opportunities. The vast majority of America's craft brewers are very small—more than two-thirds made less than 1,000 barrels of beer in 2021 (source: Brewers Association). Direct-to-consumer shipping offers opportunities to sell beer at that scale.

Furthermore, the model of requiring distribution as the only opportunity to sell outside a brewery is quite challenging for most small breweries. Most beer distributors and many retailers value scale and velocity and most brewers have limited distributor options in their local markets. Distribution markets have continued to consolidate, threatening market access and squeezing out smaller brewers, making other viable and proven options critical for both brewers and consumers.



Direct-to-consumer sales are therefore not an attack on the three-tier system, but rather a complement to that construct to fill gaps in the model and account for today's market realities and consumer preferences and buying habits. Even as brewery brewpubs and taprooms have proliferated, the vast majority of beer, including craft beer, continues to go through distributed channels. Direct-to-consumer allows brewers to access the market at small scale, with the potential to distribute later if desired.



DtC is not an attack on the three-tier system, but a complement to fill gaps in the model and account for today's market realities and consumer preferences & buying habits.

Expanded permissions for DtC beer shipping would mirror what we have seen in the wider economy. The twenty-first century consumer expects quick and uncomplicated access to all manner of products. While alcohol is no exception, it obviously comes with special requirements, most importantly age-restrictive components. Decades of successful and responsible shipment by America's wineries demonstrate that these channels can provide choice to consumers without facilitating underage consumption or undermining state revenues. Underage drinking has been on a steady decline for over three decades—the period in which direct-to-consumer wine sales rapidly expanded—and a 2003 Federal Trade Commission (FTC) study found no correlation between direct-to-consumer and underage access to alcohol. The reality is that many sensitive products, from prescription medicines to firearms, are successfully shipped to consumers' homes.

The wine experience also shows that direct-to-consumer shipping is a complement to, as opposed to a replacement for, distributed sales. Even while the DtC wine market has grown, distribution via wholesalers remains the channel for most of the volume in the wine business. It is also likely that beer direct-to-consumer sales will capture lower market share than in wine, simply due to the weight-to-value ratio of most beers relative to wine.

Evidence from states that currently allow beer consumers to receive beer direct from U.S. breweries shows there are 15% more beer distributor jobs per capita than in states without direct-to-consumer beer shipping. Similarly, wine and spirit wholesaler jobs and liquor store jobs have increased as a percentage of the population during the period when the U.S. went from 27 states to 47 states plus D.C. allowing consumers to order wine for direct shipping from wineries.

In sum, the combination of consumer demand—both for craft beer generally and direct shipping more specifically—and the realities of tightening distribution opportunities make direct shipping a sensible route to market for thousands of American small breweries. The experience from the wine industry and the limited states that currently allow direct-to-consumer beer shipping underline the success of this model in beverage alcohol, how it complements the three-tier system and the model's responsibility and compliance.

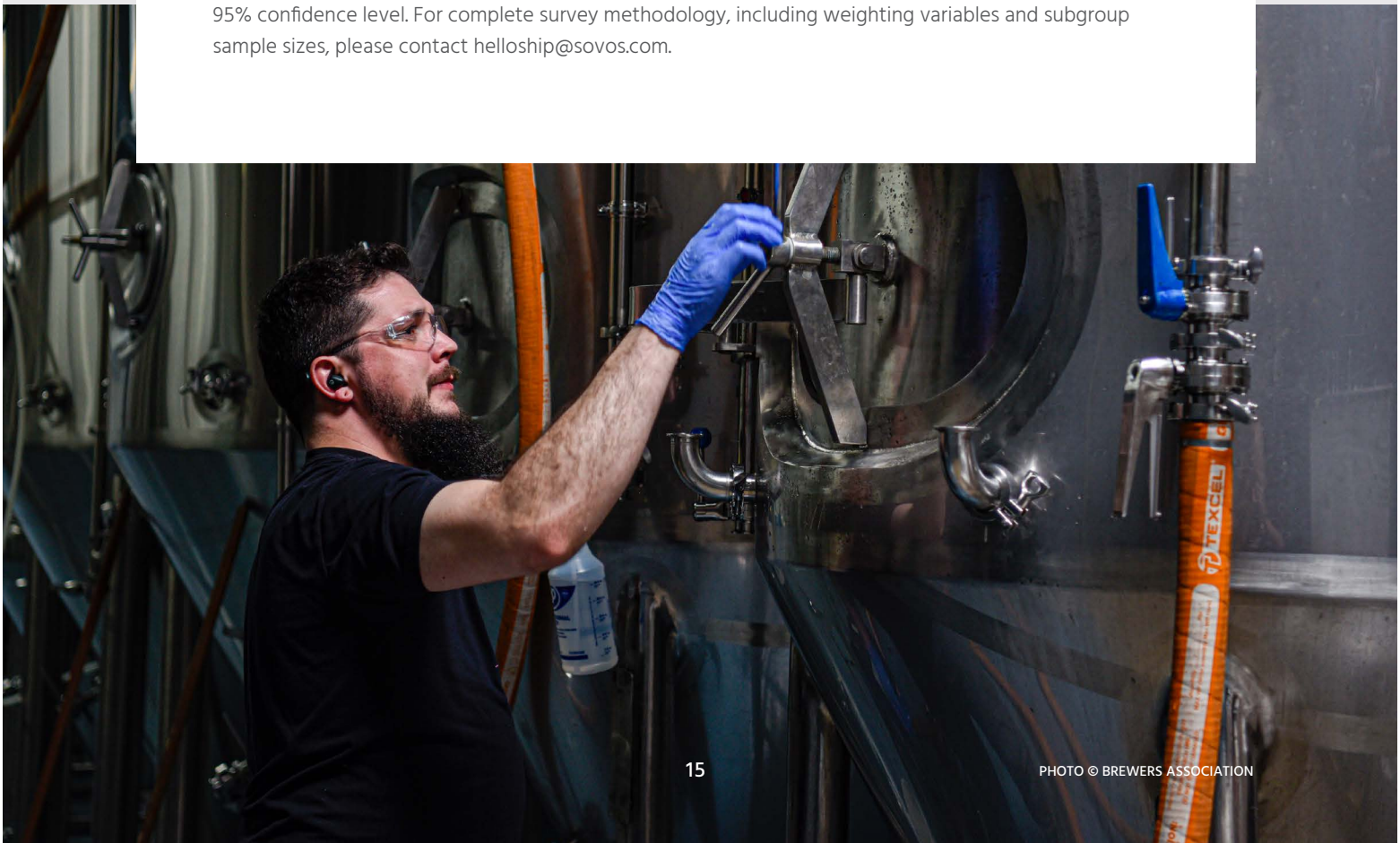
⁰¹ "Competition in the Markets for Beer, Wine, and Spirits." Department of the Treasury. February 2022. P. 17.

Learn More

Sovos ShipCompliant has been the leader in automated alcohol beverage compliance tools for more than 15 years, providing a full suite of cloud-based solutions to breweries, wineries, distilleries, cideries, importers, distributors and retailers to ensure they meet all federal and state regulations for direct-to-consumer and three-tier distribution. ShipCompliant solutions reduce risk, lessen the burden of compliance, accelerate bringing products to market and enable revenue growth. For more information, visit Sovos.com/ShipCompliant.

The **Brewers Association** (BA) is the not-for-profit trade association dedicated to small and independent American brewers, their beers and the community of brewing enthusiasts. The BA represents 5,700-plus U.S. breweries. The BA's independent craft brewer seal is a widely adopted symbol that differentiates beers by small and independent craft brewers. For more information, visit BrewersAssociation.org.

Survey Method: This survey was conducted online within the United States by The Harris Poll on behalf of Sovos ShipCompliant from January 3-5, 2023 among 756 U.S. adults ages 21 and older who drink craft beer at least once per month. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 4.2 percentage points using a 95% confidence level. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact hellship@sovos.com.



PRESS CONTACTS

Amelia Wright, Alloy

On behalf of Sovos ShipCompliant
amelia@alloycrew.com | 855-300-8209

Meg Papanastassiou, Backbone Media

On behalf of Brewers Association
brewerspr@backbone.media
970-963-4873 x1212

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