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# Will The Covid-19 Crisis Change Alcohol E-Commerce Forever? Like, Forever Ever?

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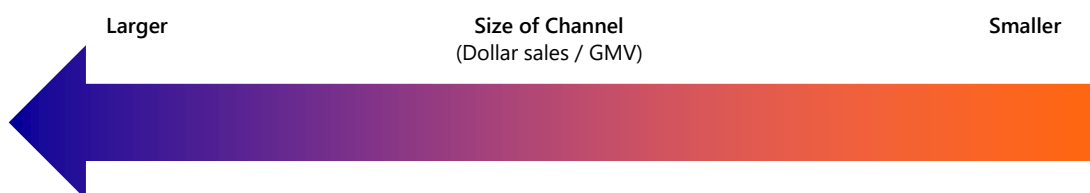
## Summary

Even as the “stock-up” boom starts to subside, many e-commerce channels continue to grow at unprecedented rates. While it is still too early to determine if and to what extent consumers will continue buying alcohol online at these elevated levels once the Covid-19 pandemic has passed, this crisis will permanently change the alcohol e-commerce landscape. What is driving that change, however, may surprise you.

Based on interviews and data obtained by Rabobank, we estimate that US off-premise alcohol sales increased 40% to 60% YOY for the week ending March 21. That increase is dwarfed by the massive rise in online alcohol purchases (see Table 1). Even as evidence trickles in that in-store sales are starting to normalize, it appears that online sales are holding steady at all-time highs.

**Table 1: Estimated growth in sales for various e-commerce platforms, retailers, and channels for the week ending March 21<sup>st</sup> 2020 as a result of the Covid-19 pandemic**

<i>Alcohol in-store &amp; online</i>	<i>DtC Wine</i>	<i>Online Grocery</i>	<i>Wine.com</i>	<i>Drizly</i>	<i>City Hive</i>	<i>Reserve Bar</i>	<i>Minibar</i>	<i>TapRm</i>
40% - 60%	60%	100%	200%	>250%	900%	>150%	>75%	>1500%



Source: Rabobank 2020

Note: Many of the above estimates were shared with Rabobank by the companies themselves. We are unable to independently verify their validity.

E-commerce fits well into the routines and precautions that consumers have adopted to protect themselves from and limit the spread of the coronavirus Covid-19. As long as Covid-19 remains a public health concern, consumers should continue moving their alcohol purchasing online. Once the crisis is over, however, many people will return to their pre-pandemic routines. This will cause many of the unique situational factors that drove consumers to adopt e-commerce to disappear. But regardless of how consumer behaviour changes over the long run, alcohol e-commerce may never be the same. Here are four reasons why:

## Exposure Therapy

Whether through Instacart, Drizly, or the website of their local independent liquor store, a huge number of the consumers are buying alcohol online for the first time. Drizly [told CNBC](#) that new users on their platform accounted for 41% sales so far in March, compared to 15% during normal times. Instacart, which has numerous grocers and specialty retailers like Total Wine & More on their platform, has seen their weekly app downloads increase by 400%. Lastly, data from Slice Intelligence indicates that the number of people buying alcohol online doubled during the second week of March.

In our report [The 2020 Alcohol E-Commerce Playbook](#), we warned that consumer awareness was a major impediment to the growth of online alcohol sales. Constellation Brands shared a 2018 study with Rabobank that showed 65% of US consumers were unaware that they could buy alcohol online. A more recent survey, conducted by ZX Ventures, found that one-third of US small-format shoppers did not know they could buy beer online. Covid-19 is clearly closing that awareness gap. Even better, many consumers have already overcome the hurdle of creating an account, made their first purchase and saw that the world did not end – at least not because they bought alcohol online.

After this crisis is over, those consumers will figure out if and how online alcohol purchasing fits their needs, whether it is an urgently needed delivery of vodka from Drizly, a hard-to-find Spanish red from Wine.com, a six-pack of Mexican lager from your grocery store, or a [one-liter bottle of Negroni](#) from their favorite local Italian restaurant.

## Retailers “Close the Door and Open the Window”

Retailers around the country are racing to expand their e-commerce offerings both to meet consumer demand and protect employees. One liquor retailer, Gary's Wine and Marketplace, responded to the pandemic by shutting down in-store sales across all four of their New Jersey locations, launching an e-commerce website in collaboration with City Hive, and converting all their stores into fulfillment centers – all within 48 hours! Mike Fisch, their head of business development, reports that sales remain comparable to previous years, and the experience has opened their eyes to “the power of a strong digital program.”

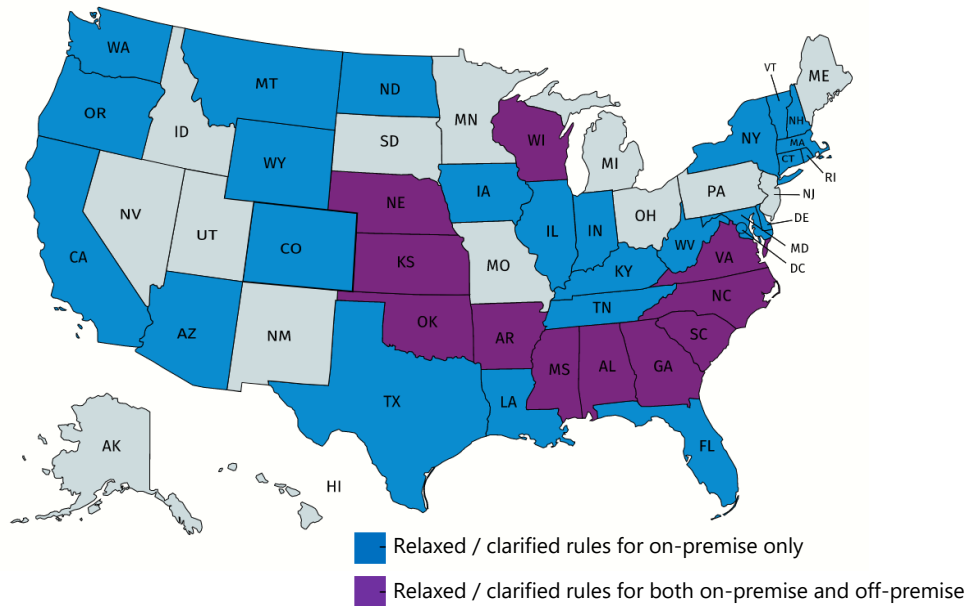
Like City Hive, which offers turn-key, digital services to alcohol retailers, other e-commerce and digital service providers are seeing record demand from retailers. Drizly CMO Scott Braun told Rabobank on March 18 that the “last two days have been our biggest days ever for sign-ups and growing.” Jason Sherman, CEO of TapRm, a platform that connects directly with craft brewers to sell their beer online in New York, told Rabobank that “the number of [brewery] inquiries have gone up ten to twelve times.”

When things return to normal, most of this newly added digital infrastructure is going to remain in place and consumers around the country will be able to buy alcohol from more of their favorite liquor stores, grocery stores, and restaurants than ever before. This will almost certainly lead to a long-term boost in e-commerce activity.

## The Need for Long-Term Reforms

With near-universal bans on sit-down drinking and dining, 37 states have temporarily relaxed or clarified their laws that limited the ability for on-premise retailers to sell alcohol for delivery and/or takeout (*see Figure 1*). On-premise operators, breweries, distillers, and food delivery companies are expanding into new geographies and creating new partnerships to take advantage of these changes. For most operators, however, relaxing these restrictions is like putting a Band-Aid on a [flesh wound](#). The real impact of these rule changes may be realized over the long-term.

**Figure 1: States that have relaxed or clarified alcohol delivery, take-out and/or curbside pickup laws in response to Covid-19, as of March 30 2020**



Source: State ABC/LCB websites, WSWA, Wine Institute, Rabobank 2020

Most states seem destined to reinstitute restrictions once the sit-down ban is lifted, but this situation has laid bare the extent to which state laws restricting fulfilment negatively impact online alcohol sales, both in the on- and off-premise. This could be the wake-up call needed for trade organizations like DISCUS, The Beer Institute, The Brewers Association, The National Restaurant Association, WSWA, NBWA, and the ABL to start encouraging regulators and legislators to create straightforward and unambiguous rules that offer clarity to retailers, remove unreasonable barriers to fulfilling online orders, preserve the three-tier system, and continue to protect the public health.

## Investments Now Will Pay off Tomorrow

Over the past two years, our team has repeatedly warned that most companies in the beverage industry are not investing enough in their e-commerce capabilities. This crisis is causing some industry executives to re-examine the importance of e-commerce. One company's head of e-commerce told Rabobank that they've spent years "begging for resources," comparing their work to panhandling and non-profit fundraising. Since the Covid-19 pandemic has hit, however, they reported feeling like the "most popular kid on the playground."

Many executives believe there will be a sustained shift to e-commerce as a result of the Covid-19 pandemic, and so they are investing more into the channel. While we do not disagree with that premise, we feel that the scale of those gains will depend on the industry doubling down on their investment (we believe this is what you call a self-fulfilling prophecy). Regardless of the reason for these investments, they are needed, and we have no doubt that they will have a long-lasting impact.

# Imprint

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