

sales and marketing

PACKAGING SURVEY REPORT

Cost Rises to Top of Packaging Concerns

Many Wineries Have Already Switched to Lighter or Lightest Glass Bottles

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EVERYTHING EVERYWHERE AND SEEMINGLY all at once has become more expensive, and the mix of materials used in wine packaging is no exception.

According to the 2023 WineBusiness Monthly Packaging Survey, the average cost of a glass bottle has risen 8% from \$1.91 to \$2.07 in the past year with the biggest increase of 16% being reported by Napa County wineries that pay an average of \$2.74 for the bottles they use the most. Sonoma County wineries reported a higher average cost of \$3.33 after increasing 8% from \$3.07.

Lacking a multiverse of packaging options due to consumer perception and traditional quality cues, wineries have had to watch packaging prices eat away at already thin margins.

When asked what the most important driver or objective of their packaging strategy was this year, 43% of all wineries surveyed said it was to control costs, with the highest share of 48% among Sonoma County wineries and 47% for the rest of California. Cost was the leading concern among wineries of all sizes as well, with it being the top reason (36%) among the largest wineries that produce more than 500,000 cases a year and the smallest (38%) that produce fewer than 1,000 cases. It was also the top driver in packaging strategy among those producing 1,000 to 4,999 cases, at 50%.

The concerns reflected in the survey are confirmed by the latest economic data. Glass bottles are included in the U.S. Bureau of Labor Statistics' (BLS) Producer Price Index (PPI) data. According to the BLS, the PPI for glass containers grew 50% from 190 in April 2013 to 279 in April 2023. Almost all that increase came after 2019, with the index growing 34% from April 2019 to April of this year. In the same period, label costs increased 30%, capsules rose by 26%, and the index, including corks, increased 8%.

While lead times have largely normalized, sourcing adequate and consistent materials is still a challenge, with 27% of all wineries saying it was their top concern. This was also the top concern among Napa County wineries at 33%.

The sustainability of packaging was the top concern of just 16% of all wineries surveyed, yet it was the main driver for 25% of Napa County wineries and 26% of surveyed wineries in the Central Coast region of California.

Capsules Getting the Cut

Looking to reduce their overall materials costs, more wineries are eschewing the traditional capsule. In 2022, 74% of all wineries surveyed reported using a capsule to finish wines in traditional glass bottles. That share dropped to 55% in 2023 while those answering they used "nothing" to finish their bottles rose to 24% from just 5% in 2022. Of those who selected nothing to finish their bottles this year, 61% said they did so to lower costs.

Among all wineries that use capsules, 49% say it gives their wines a premium look, and that can be seen in 76% of surveyed wineries in Napa County which reported using capsules. By comparison, the use of capsules was the lowest among participating wineries in the Central Coast, with only 26% saying they used capsules and 63% reporting they used nothing.

At Baldacci Family Vineyards in the Stags Leap District AVA of Napa Valley, general manager Kellie Duckhorn said the use of capsules first came up for discussion during a pre-pandemic design refresh because it was the one material that required lengthy lead times. In a recent collaboration with the design firm CF Napa on a new luxury line dubbed The Thomas Collection, priced at more than \$250 a bottle, Duckhorn said they opted not to use a capsule but rather a cigar wrapper label on the bottle neck to provide a luxury finish.

Duckhorn is still considering the use of capsules on the rest of the winery's lineup but is also aware of consumer perception and that most people buying a \$50 Chardonnay (such as the one from Baldacci's estate vineyards in Carneros) would expect it to have a capsule.

Baldacci produces around 12,000 cases a year from 50 estate acres and a few contract vineyards. In terms of the general strategy for packaging, Duckhorn said when she joined the winery as general manager in 2015, she sought to reduce the overall number of packaging vendors the winery worked with while also building long-term relationships with suppliers committed to sustainability.

As she is also dependent on mobile bottling services, she wanted a source of glass that was consistent (fewer costly line changes during bottling) and less susceptible to logistical delays that would require her to reschedule bottling days. She also wanted a producer that was domestic to reduce the carbon footprint of shipping empty bottles to the United States. That led her to Gallo Glass, and she commented, "It's been a wonderful partnership ever since."

What proved to be an unexpected bonus was that Gallo Glass was quick to shave bottle weights to improve sustainability while not compromising quality. If she does have any problems, she also appreciates being able to call someone in Modesto, Calif., rather than Qixian, China. Duckhorn is not thinking about trying to reduce bottle weight, as the bottles Baldacci uses are already sustainable, which has really paid off on direct-to-consumer shipments.

Recent cost increases have not prompted Duckhorn to question her packaging strategy of long-term relationships and a commitment to sustainability.

"While costs have increased over the past five years, the total impact on an aggregated basis has not been enough to redirect our focus," she said.

Duckhorn also solicits quotes from the winery's vendors every November to be early on its commitments, and that often can yield some discounts from suppliers thankful for the upfront commitments.