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## **Wine club marketing for Gen Z**

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Master Thesis

## WINE CLUB MARKETING FOR GEN Z

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June 2024

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**Abstract** – The wine industry’s most important generation, Baby Boomers, is gradually aging out of wine consumption. Their spending habits are expected to change after retirement, and their overall consumption will decrease as they continue to age. Consequently, the wine industry needs to attract younger consumers to replace Baby Boomers. However, wine sales among Gen Z are currently disproportionately low compared to their population size. As the wine business transitions into a lower-demand environment and the wine subscription economy becomes saturated, it is increasingly important for wineries to position wine clubs more effectively to younger consumers. Traditional wine club models fail to effectively target Gen Z, who demonstrate significantly different consumption patterns than any other generation. Through a qualitative multiple-case study, this paper seeks to answer the question: How can wine club marketing be adapted to better resonate with Gen Z consumers?

**Purpose** – The purpose of this study is to explore how wine club marketing can be adapted to resonate with Gen Z consumers and to identify effective strategies for better engagement. The study aims to provide actionable insights for wineries to enhance their wine subscription models, ensuring they align with the preferences and values of younger consumers.

**Design/methodology/approach** – A qualitative multiple case study is applied.

**Findings** – The paper identifies several key strategies for marketing wine clubs to Gen Z consumers. These strategies emphasize social and environmental values, transparency, customization, flexibility, a diverse selection of SKUs, authenticity, unique experiences, and strategic partnerships to extend the experience beyond the tasting room.

**Practical implications** – The wine clubs analyzed and the tactics included in this study provide a framework for wineries to effectively position their wine club offerings for Gen Z.

**Originality/value** – There is a lack of qualitative research focused on generational subscription patterns, particularly in wine club marketing for Gen Z.

**Keywords** Wine Club Marketing, Gen Z

#### **List of abbreviations**

**ABP:** Average Bottle Price, calculated by taking the net sales for all products divided by the total number of bottles

**CRM:** Customer Relationship Management

**DTC:** Direct-to-Consumer

**SMI:** Social Media Influencer

## 1. Introduction

This master's thesis is a practical manifestation of the academic knowledge acquired during the completion of the International Master on Wine Tourism Innovation program and the Direct-to-Consumer Marketing Internship at Lithica Wine Marketing, which was intended to provide a mutually beneficial, applied learning experience for both the host company and the intern.

Lithica Wine Marketing, founded by Geoffrey Moss MW, is a boutique marketing agency based in British Columbia's Okanagan Valley that helps wineries develop effective, customer-centric business and marketing strategies. Lithica serves the global wine industry with a focus on direct-to-consumer (DtC) sales and marketing, brand development, and go-to-market strategy.

The main learning outcomes of the internship were centred around integrating DtC platforms, developing wine clubs, and providing ongoing support for North American and European wineries. This involved engaging in research and development (R&D), business development, and account management. Although project details cannot be disclosed due to their confidentiality, the following paragraphs aim to outline the approach and nature of the initiatives undertaken during the internship, while contextualizing the central topic of the paper.

While many wineries have mastered efficient DtC practices, leveraging robust customer relationship management (CRM) databases and detailed analytics to their advantage, a significant number of tasting rooms are still struggling with identifying their most valuable customers or even determining the total number of guests accepted throughout the year. Based on the adage that retaining a customer is more cost-effective than acquiring a new one, the customer data a winery can capture forms the backbone of its success in DtC sales. Lithica supports wineries to integrate modern DtC platforms where online booking, e-commerce, CRM, and point-of-sale (POS) systems are all interconnected and unlock crucial insights about their customers, such as preferences, order history, membership status, and lifetime value. Based on these customer insights, wineries can personalize customer experiences, launch targeted marketing campaigns, and build strong customer relationships beyond the tasting room. Subscription-based services, such as automatic wine clubs, are purely built on customer insights. As wine club members represent a winery's most important customer base, and the most valuable segment of its DtC business, they require the highest level of attention and exclusive privileges that honor their loyalty. Therefore, a wine club needs to reflect the target segment's needs in every detail, such as structure, benefits, communication, user experience, and strategic partnerships to provide the best possible experience.

The wine club development projects undertaken included contextualizing the winery's hospitality and DtC program, evaluating their portfolio, analyzing competitors, understanding customer preferences, formulating the wine club strategy, and bringing the project to life. The

initial steps include defining the optimal wine club structure and benefits across multiple levels and tiers, outlining the wine club release schedule, developing front-end elements such as a members-only site and a sign-up form, and adding wine club to back end on the DtC platform. Branding initiatives include creating wine club and level names, designing a logo, a wine club shipper, and sign-up form. In addition to providing customer service to wine club members and fulfilling recurring shipments, a winery must address several other aspects to ensure the successful operation of its wine club and can do even more to maximize its DtC sales. As a subscription-based service, it is essential to consistently deliver value to maintain engagement. To this end, Lithica offers a comprehensive wine club management service to its partners, including the maintenance of DtC platforms, e-commerce and member-only sites, the design of high-quality wine club collateral, and the implementation of segmented marketing campaigns based on industry best practices and customer insights. Such insights reveal that, on average, a customer makes 4.78 orders before joining a wine club (Commerce7, 2024). If the fourth order is placed online, wineries can strategically include a personalized invite in the shipment or send an email to the customer, encouraging them to join the wine club. Lithica enhances this process by implementing automated emails and smart POS notices, maximizing sales potential at every touchpoint of the customer journey. Furthermore, Lithica's service includes the implementation of reorder strategies, encouraging members to repurchase their wine club favourites following each shipment, thereby ensuring continuous engagement and boosting repeat sales.

Given the author's deep interest in the wine subscription economy and its long-term sustainability, this paper aims to provide insights and practical adaptations from the perspective of a Gen Z member (born approximately between 1997 and 2012) to contribute to the long-term evolution of wine clubs (Dimock, 2019). Given the leading role of American wineries in DtC sales and wine clubs, the geographic focus of this study is the US wine market, specifically wineries in Napa and Sonoma Valley.

### **1.1. The emergence of Gen Z in DtC wine sales**

One of the most significant and escalating problems in today's wine industry is the lack of engagement of younger generations—a trend that is causing concern within the sector regarding its future prospects (IWSR, 2024). While the majority (58%) of consumers aged over 65 prefer wine over other alcoholic beverages, this preference drops by 42 percentage points among the 21-34 age bracket (The Harris Poll, 2021). Younger demographics show lower engagement in wine purchasing as well; their spending is underrepresented relative to their population size by 14.8%. With Baby Boomers (born between 1946 and 1964) still being the most powerful consumer segment, wineries are confronted with the complex task of

simultaneously positioning to the preferences of both older and younger demographics (McMillan, 2024).

This challenge becomes particularly evident in the realm of DtC sales, which involves selling wine directly to consumers via tasting rooms, wine clubs, events, e-commerce, and other direct methods (Yeung & Thach, 2019). While Baby Boomers remain the dominant consumer base in DtC sales, the participation rates among younger demographics highlight a critical area for attention. In 2021, the youngest legal drinking age band, with consumers between 21 and 30 years, constituted only 6.6% of total DtC wine sales, with wine clubs being the most underrepresented channel by Gen Z at a mere 4% (McMillan, 2023b). This number contrasts with the fact that no other generation shows a greater preference for subscription services than Gen Z, with 91.6% of the demographic having at least one subscription (Pymnts, 2020).

DtC sales complement the traditional three-tier distribution system (producer, wholesaler, retailer) and serve as a significant revenue stream for wineries across the United States (Murphy, 2012). In 2022, wineries producing less than 5,000 cases (defined as 9-liter equivalents) annually generated 81%, while larger wineries, with an annual production exceeding 250,000 cases, generated 30% of their revenue through DtC sales channels (McMillan, 2023a). DtC sales allows wineries to build a strong relationship with the end user, realize higher margins, gain access to additional markets, control their brand identification system, and maintain flexibility in their pricing strategy (Teaff, 2005).

The increased importance of DtC sales in the US started in the late 1990s, driven by various factors including the “Granholm” Supreme Court decision in 2005, which ruled against protectionist state laws that prohibited out-of-state wineries from shipping directly to consumers (“Granholm v. Heald,” 2005). In 1996, the total value of DtC sales in the US was less than \$100 million, and California wineries were only permitted to ship to 13 reciprocal states (McMillan, 2018). By 2024, DtC wine sales had surpassed \$4 billion over the previous 12 months, and 44 states allowed out-of-state wine shipments. Today, 97% of American wineries generate at least 70% of their revenue through DtC sales (McMillan, 2024; Wine Business Analytics, 2024; Wine Institute, 2024).

DtC sales channels available to wineries include tasting room visitation, wine clubs, online sales, email marketing, telemarketing, and on- and off-site events (Teaff, 2005). However, the majority of DtC sales revenue is derived from two channels: tasting room (37%) and wine club (39%) (McMillan, 2023a). The tasting room serves as the driver for other DtC channels, as a significant portion of DtC sales is attributed to consumers' initial visit to the winery (Vinespring, 2020). While 90% of club memberships are initiated in the tasting room, the convenience and

accessibility of online wine club sign-ups have made it an increasingly growing channel for member acquisition (Commerce7, 2022; McMillan, 2023a).

Wine clubs have steadily grown in importance to wineries in terms of their contribution to DtC sales, reflecting a notable shift in focus from tasting room sales to the promotion of wine club memberships in the US over the past decade (McMillan, 2023b). Since 2015, there has been a consistent increase in significance, with a gradual rise in contribution to DtC sales from 32% in 2015 to 39% in 2022 (Commerce7, 2024; McMillan, 2023a). In 2022, the average wine club in the US reached 1,716 members, with the highest average order value across all DtC sales channels at \$253 (McMillan, 2023a; Wine Business Monthly, 2023).

While net sales through wine clubs remained consistent, tasting room visitation declined in 2023 for the second consecutive year (McMillan, 2024). This decline contrasts with the increase in tourism in Napa Valley over the past few years (Visit Napa Valley, 2023). The shift can be attributed to a post-pandemic trend towards more relaxed and in-depth experiences, where visitors spend more time at each winery (Visit Napa Valley, 2021). The decrease in tasting room visitation has led to lower sign-up rates and higher attrition rates for wine clubs. Consequently, the wine club membership growth rate dropped to -3% in 2023, a significant change after years of double-digit growth (McMillan, 2024). In response, a quarter of US wineries plan to expand their wine club sales and increase the number of wine club members in the coming years (Beak, 2024).

However, wine clubs are also at risk due to evolving demographics and shifting consumption habits. Baby Boomers, who have the highest affinity for wine, are more committed to the category and spend more on wine, are being replaced by younger consumers who are less committed to wine, drink more across all categories, and are reducing alcohol consumption for health reasons (McMillan, 2023b). Despite the four main legal drinking-age cohorts nearing equal sizes, the age bands over 60 still comprise the highest share of total DtC sales at 32.6%, while the 21 to 30 age band accounts for only 6.6%. This indicates that younger demographics are ceding consumption share to the older generations (McMillan, 2023a). Similarly, Baby Boomers represent the largest demographic in the context of wine club memberships in the US, accounting for 37%, followed closely by Gen X (born between 1965 and 1980) at 34%, and Millennials (born between 1981 and 1996) holding 20% of the memberships. The lowest share is attributed to Gen Z, representing only 4% of memberships (Dimock, 2019; McMillan, 2023a).

Gen Z exhibits unique purchasing habits compared to other demographics, notably favoring on-site events, which account for 8.9% of their purchases—a higher proportion compared to other generations—and POS sales, which accounted for the highest percentage, reaching

33.1% in 2023. This indicates their experimental attitude, participating in hands-on wine experiences in social settings and their tendency to purchase wine during events at wineries. However, Gen Z's participation in wine clubs is notably lower at 38.7% compared to other generational cohorts, such as Millennials at 58.7%, Gen X at 58.5%, Baby Boomers at 57.1%, and the Silent Generation at 49.2% (Winedirect, 2024).

As the most important generation for the wine industry, Baby Boomers are gradually aging out of the market due to factors such as fixed income brought on by retirement, changing health priorities and a decreased appetite for social drinking at scale (Westfall, 2023), the wine industry needs to replace them with younger consumers. However, to date, wine sales for Gen Z are disproportionately low relative to their population size (McMillan, 2023b).

## **1.2. Research gap and research problem**

The review of existing academic literature reveals that, to date, no studies have been conducted on wine club marketing targeting Gen Z or its intersection with the subscription economy. Consequently, the literature review focuses on two primary areas: (1) wine club structures, benefits, and marketing (2) and the consumption, purchasing and online shopping behaviour of Gen Z. The first topic provides an extensive overview of the characteristics of wine clubs, detailing membership models, benefits, pricing strategies, factors influencing customer loyalty and attrition, and wine club marketing strategies (Butscher, 1998; C. Williamson & Bhadury, 2014; Dunn & Baker, 2022; Hashem, 2021; Krishen et al., 2023; Moss, 2020; O'Brien & Jones, 1995; Teaff, 2005; Thach et al., 2012; White & Thompson, 2009; Yeung & Thach, 2019), while the second topic discusses the growing economic influence, the unique consumption behaviour, the purchasing habits, and the online shopping preferences of Gen Z (Ameen et al., 2023; Ayuni, 2019; Coman et al., 2022; Djafarova & Bowes, 2021; Duffett, 2020; Goldring & Azab, 2021a; Liu et al., 2023; McGarry et al., 2022; Narayanan, 2022; Priporas et al., 2020; Rana et al., 2024; Thach et al., 2021; Thangavel et al., 2022; Van den Bergh et al., 2024).

Non-academic reports, specifically from Software as a Service (SaaS) companies specializing in subscription management and billing software solutions, provide practical insights and data-driven analysis on the purchasing patterns and preferences of Gen Z in the context of subscription-based services. These reports explain how subscription management strategies can be adapted to meet the unique needs and characteristics of Gen Z consumers (Recurly, 2023; Zuora, 2024).

Although existing academic literature may address broader wine consumption and purchasing patterns of Gen Z, there is a gap in both academic and non-academic literature specifically

addressing wine club marketing strategies for Gen Z's engagement. Based on the review of the existing academic literature, the following research question was developed:

How can wine club marketing be adapted to resonate with Gen Z consumers?

### **1.3. Research objectives**

The goal of this paper is to address a question many wine club marketers may have: what wine club tactics can be adapted to better engage younger consumers? Therefore, this paper aims to meet the following objectives:

- To review Gen Z's unique consumption, purchasing and online shopping behaviour
- To identify effective wine club marketing strategies that resonate with Gen Z
- To suggest wine club strategies to better engage Gen Z

### **1.4. Adopted methodology**

For the research approach, this study employs a qualitative multiple case study strategy. Yin (2014) describes a case study as a thorough and empirically based examination of a modern phenomenon within its real-world setting. This approach is beneficial for research addressing underexplored topics (Siggelkow, 2007; Yin, 2014). A multiple case study offers a greater degree of generalizability of the results and is more compelling and robust, enabling an in-depth understanding of complex phenomena (Henriott & Firestone, 1983; Yin, 2014). Unlike single case studies, multiple case studies allow the analysis and comparison of data among the analyzed cases (Cavaye, 1996; Gustafsson, 2017). In this study, three premium California wine clubs are presented, selected based on their effective strategies for targeting Gen Z's consumption, purchasing, and online shopping behaviour. Data was collected exclusively from publicly available online sources and analyzed using a comprehensive evaluation sheet (Annex 1), developed based on the literature review, to assess the wine clubs' alignment with Gen Z consumption, purchasing, and online shopping behaviour.

### **1.5. Organization of the document**

The paper is organized into five main chapters, starting with an introduction that explores the current trends and the emergence of Gen Z in DtC wine sales. It continues with a literature review that maps out the up-to-date knowledge on wine clubs and their marketing strategies, followed by Gen Z's unique consumption, purchasing and online shopping behaviour. The next section examines three wine clubs and suggests practical implications for wine club managers, while the final part draws conclusions. This structure aims to provide a clear pathway through the research, from identifying patterns to proposing solutions.

## **2. Literature review**

### **2.1. Wine clubs**

#### **2.1.1. Wine club structures and benefits**

Automatic Wine clubs, where a regular shipment is automatically sent to the customer, are generally open for everyone to join and have a predefined set of wines sent to the customer. In exchange for the commitment, wine club members receive additional benefits such as discounted pricing, reduced or complimentary shipping, priority access to limited-production wines, invitations to exclusive member events, and complimentary tastings (Teaff, 2005; Yeung & Thach, 2019). Wine clubs represent a customer-centric sales approach, and develop long-term relationships, boost brand loyalty, build brand awareness, and ultimately increase the lifetime value of customers (Dunn & Baker, 2022; Teaff, 2005; Thach et al., 2012). Wine clubs have the highest profit margin of all DtC sales channels, with margins of up to 50%, and they ensure consistent, predictable sales revenue as opposed to one-time transactions (Teaff, 2005; Thach et al., 2012). Automatic Wine Clubs require customers to provide their credit card information and consent to periodic wine shipments. The relationship between the winery and the customer is maintained until the customer decides to voluntarily terminate their membership (Teaff, 2005). In some cases, wineries might charge a cancellation fee and require members to stay in the wine club for a defined period or a certain number of shipments (Thach et al., 2012). Wine clubs vary across the industry, including differences in type, price, shipping frequency, number of bottles, variety of SKUs per shipment, and benefits offered (Teaff, 2005).

In contrast, Offering Wine Clubs do not require the customer to agree to a scheduled shipment. Instead, the customer opts into a mailing list that offers the chance to purchase a selection of wines on an à la carte basis (Thach et al., 2012). Wine allocations, for example, are commonly referred to as mailing lists in the US or private sales in Europe. They are discrete periods when highly sought-after bottles are offered to a list of allocated members in limited quantities. Allocated offerings are typically associated with high-end wines, and in extreme cases, waiting lists can last for up to ten years (Yeung & Thach, 2019).

#### **Wine club levels**

Wineries may offer different wine club levels, tiered by price and benefits. Each level operates as a separate wine club. While some wineries offer just one level, it is common to provide various options across multiple tiers, giving customers a range of choices. These tiers generally vary in membership costs, with higher tiers resulting in more expensive shipments. (Teaff, 2005). By providing a variety of wine club levels, wineries can effectively engage

different demographics and age groups through tailored marketing strategies, benefits, and added value (Moss, 2020; Teaff, 2005).

### **Wine club benefits**

To elevate and differentiate their offerings from competitors, wineries typically provide benefits to wine club members that differ across various levels. Wine club benefits are often considered the most attractive features of a wine club, contributing to consumer satisfaction, enhanced brand identity, and increased wine sales. The most common benefits are discounts on purchases (97% of wineries), access to special events (85%), winery correspondence (71%), complimentary tours and tastings (61%), and access to special wines (56%). Discounts for wine club members usually range from 5 to 25% on wine purchases, with 20% being the most frequent option (Teaff, 2005).

Monetary benefits, such as discounts on wine and free delivery, are most valued by club members; however, they do not foster long-term brand loyalty (Butscher, 1998; White & Thompson, 2009). As such, value-added benefits like invitations to priority tastings of new or rare wines and special sessions with the winemaker are important to enhance the aspirational value of membership which leads to the development of long-term loyalty (O'Brien & Jones, 1995; White & Thompson, 2009). Benefits that enable active participation by a member tend to create the most value for both the customer and the winery. For instance, exclusive treatment at the winery, concierge services, referral incentives, and social opportunities are common ways for a winery to encourage club members to engage more deeply in the relationship (White & Thompson, 2009).

### **Price**

Teaff. et. al find that wineries describe their wine club price based on the average cost per shipment, with the average cost being less than \$75 (Teaff, 2005). Fees are typically calculated either based on the retail price of the wines, often with a discount for wine club members, or as a flat rate per shipment (Moss, 2020). Some wine clubs provide members with the opportunity to select the desired number of bottles and therefore determine the price of wine shipped (Teaff, 2005). Variation in the average cost per club shipment may increase the likelihood of termination. For example, shipments often come at a higher cost in the second half of the year when wineries release their top-tier wines. This increase in cost could lead to a higher termination rate. If there are significant cost differences between club shipments, wineries might consider giving members the option to skip shipments (Moss, 2020).

### **Wine selection**

The wines included in a club shipment are selected by the winery (73%) or the customer (33%). These types of wine clubs are customer preference or user-choice clubs, where members have full control or some level of choice over their club shipments, including wine selection, number of SKUs, and frequency of shipments (Teaff, 2005).

### **Number of bottles**

The number of bottles shipped can be adjusted to suit customer consumption patterns. Aligned with the relatively low average shipment cost determined by Teaff et al. (2005), most wineries include only two bottles per shipment (62%). However, 23% of wineries do not specify the number of bottles per shipment but instead offer a range (e.g., 2-3 bottles per shipment) (Teaff, 2005).

### **Variety of SKUs**

Moss (2020) highlights the critical role of SKU diversity in mitigating member churn. Based on his study, higher frequency of different wines reduces the probability of termination (versus multiple bottles of the same wine), suggesting that wine club members seek a variety of wines in their club shipments. While having one SKU per shipment is associated with a termination probability of 55%, increasing the average to six SKUs notably decreases the probability of termination to 35%. This inverse relationship underscores the importance of SKU assortment in wine club dynamics. Moss also highlights the importance of wine club-exclusive wines, especially for wineries that have a relatively low number of SKUs in their portfolios. Offering certain wines exclusively to club members may not only serve as an incentive for customers to join a wine club but also encourage them to remain members over time (Moss, 2020).

### **Frequency of shipment**

A winery can either schedule shipments for its convenience or adopt a more customer-centric approach by organizing shipments around the customer's preferences. Most wineries offer quarterly shipments (52%); however, bi-monthly (24%) and monthly (18%) shipments are also common (Teaff, 2005). An increase in the number of club shipments significantly reduces the probability of termination, suggesting that club members value frequent engagement with the winery. Therefore, wineries may want to consider distributing their club shipments more frequently to enhance member retention and reduce the likelihood of membership termination (Moss, 2020).

### **Free shipping**

It is commonly understood that customers expect free shipping in the prevailing e-commerce paradigm established by Amazon. Including free shipping on club purchases decreases the

likelihood of termination. Each club shipment with free shipping is associated with a 14% decrease in the odds of termination (Moss, 2020). Alternatively, a winery can offer a pick-up option for members who are local to the winery or tasting room. This option gives the member the choice to save on the shipping costs associated with delivery (Teaff, 2005).

### **2.1.2. Wine club marketing**

Wine club members represent a winery's most important customer base and the most valuable segment of its DtC business. Wine club members not only commit themselves to purchasing significant quantities of wine on a regular basis but frequently become unpaid ambassadors of the winery (C. Williamson & Bhadury, 2014; Teaff, 2005). While wine clubs can take many forms, from rewarding loyalty and encouraging continual purchase to brand communities where members are brand advocates of the highest level, the common theme is the continuous engagement of the relationship between the customer and the winery (White & Thompson, 2009).

Customers join a wine club to fulfil a need, which could be related a number of factors such as relational benefits, rewards, discounts, prestige or education (White & Thompson, 2009). The customers' choices and a wine club's benefits are only limited by the imagination of the wine club manager. However, it is crucial to go a step further and translate the benefits and the communication to both current and prospective wine club members (Teaff, 2005).

To effectively market wine clubs and reach potential customers, it is essential to embrace data-driven marketing for informed decision-making. Data-driven marketing entails utilizing all available data about the organization's customers to predict future behaviour and synthesize a marketing mix that aligns with those predictions. The concept of CRM programs originates from using the information, processes, metrics and data gathered about customers to serve them in a personalized manner, fostering an environment based on customer loyalty and satisfaction (Hashem, 2021).

CRMs allow wineries to capture customer data and unlock crucial insights about their customers such as wine preferences, order history, membership status, or lifetime value. Therefore, wineries can understand unique aspects of their customers' purchasing patterns, make informed decisions, personalize customer experiences, forecast sales, and build strong customer relationships beyond the tasting room. DtC platforms also process wine club, in-person, web, and phone transactions and allow marketers to launch targeted marketing campaigns based on their purchase history (Hashem, 2021; Moss, 2020; Teaff, 2005).

With a DtC platform, wineries are able to identify customer groups and create marketing strategies specifically to the needs of the desired market segment (Teaff, 2005). Targeting

younger customers could provide marketers in the industry with an opportunity for growth and a chance to carve out a competitive advantage in a crowded market. Additionally, online wine clubs now reach more customers than tasting rooms, which presents an opportunity for companies to attract new customers with varying demographics (Krishen et al., 2023). Marketers can consider using dynamic value propositions to attract customers from different age groups and achieve a level of affective commitment that allows for retention by introducing new value propositions and recognizing purchase behaviours (Krishen et al., 2023).

Wine club design plays a vital role in differentiating the brand and boosting brand awareness. It helps customers recognize the uniqueness and specialty of the wine club compared to other wine clubs (Teaff, 2005). Wine clubs are typically promoted with brand images, logos, and other brand extension messages. Examples include the prominent use of recognizable wine labels, photos of the winery, special events for wine club members, and other images and messages that consistently promote the brand. The winery can offer informative literature about the wines, the winery, or related materials for club members to read and enjoy, adding value to each shipment. Wine club collateral often include tasting notes and recipes, advance notice of winery events, educational wine notes from the winemaker, and technical data on each wine (Teaff, 2005). Wine clubs frequently entice members with partner benefits or include products in club shipments, providing an opportunity to leverage brand image through strategic partnerships. Gift memberships may add value to customers by enhancing convenience, while strategic partnerships can further elevate the benefits of joining a wine club (Teaff, 2005).

Krishen et al. (2023) identified social value as the most crucial factor for wine club affective commitment. Wine clubs that prioritize educating and enhancing individuals' self-determined behaviour, rather than focusing solely on reward points, are likely to foster longer-term customer relationships (White & Thompson, 2009). Wineries can enhance member experience by offering pickup parties or organizing special events, adding entertainment value to the wine club. These events may include both fee-based experiences and complimentary 'appreciation' events for members (Teaff, 2005). Examples of such events include new and innovative wine-based experiences, such as curated wine and food pairings and winemaker dinners (Krishen et al., 2023; Teaff, 2005). Participation in wine club activities tends to correlate with wine knowledge levels, with those possessing advanced knowledge showing greater commitment and interest. White & Thompson (2009) also noted a statistically significant difference in the frequency of wine club event participation, with participation declining among those with intermediate and basic wine knowledge. This suggests that individuals with advanced knowledge have a stronger commitment to and interest in wine (White & Thompson, 2009).

## **2.2. Gen Z**

Gen Z, born between 1997 and 2012, is the largest existing generation, accounting for around a third of the world's population. Holding more than \$360 billion in buying power and influencing more than \$600 billion of household purchase decisions on an annual basis, their influence on the economy, culture, consumer preferences, and products is profound (Ameen et al., 2023; Duffett, 2020; Noenickx, 2023). They grew up in the twenty-first century with radically different influences, priorities, and technology than previous generations and were strongly influenced by growing cultural diversity, global brands, and a digital world dominated by social media (Van den Bergh et al., 2024). While they share many similarities with Millennials, such as technological ingenuity and a sense of comfort in a global world, Gen Z demonstrates significantly different consumption patterns than any other generation due to growing up during several economic downturns and in a constantly changing global environment (Wood, 2013). Consequently, Gen Z is financially, socially, and politically more aware than earlier generations and their consumption and purchasing behaviour is closely associated with well-defined characteristics (Ameen et al., 2023). For example, Gen Z consumers are social activists and economic conservatives (Priporas et al., 2020). They seek personal satisfaction but are also more concerned about social impact than other cohorts (Abdullah et al., 2018). They have more new perspectives, ideas, needs, and expectations for products than Millennials, and pay greater attention to cost performance, personality, and quality, as well as consumer-centred online and offline services (Liu et al., 2023).

### **2.2.1. Consumption behaviour**

#### **Digital natives**

Gen Z is the first generation born into a digital world that lives online and virtually integrates and engages with its favorite brands. They have not known a life without personal computers, mobile devices, video platforms, and social networks. They are continually connected, frequently engaging in a range of online activities simultaneously, and have immediate access to information and communication channels (Van den Bergh et al., 2024). Gen Zers are avid users of TikTok, Instagram, Snapchat, and YouTube, and these channels serve as their entertainment center, social hub, learning platform, news source, and primary marketplace, making shopping a blend of influences and mindsets (Axcell & Ellis, 2023). In fact, they spend more time on social media than on any other activity except sleeping. They are highly open to new technologies like chatbots and augmented reality, and they insist on their ease of use (Axcell & Ellis, 2023; Bäcklund & Martin, 2019; Duffett, 2017; Munsch, 2021; Southgate, 2017; Thangavel et al., 2022)

### **Convenience and efficiency**

Gen Z, while unique in many aspects, reflects the values instilled by their Gen X parents, notably their insistence on convenience (Wood, 2013). These digital natives excel at multitasking and prioritize speed in all their activities, driven by their impatience and short attention spans (Khadar, 2020). They seek rapid, effortless experiences, compelling brands to engage them with easily consumable, shareable content and provide customizable user experiences that are instantly accessible (Van den Bergh et al., 2024). Images and short, concise videos, for example, are effective ways to engage younger demographics, as opposed to generations prior, which prefer primarily text-based content (Van den Bergh et al., 2024). Gen Z also expects various electronic processes to be widely available, offering them more autonomy and faster transactions that enable them to make more informed shopping decisions (Priporas et al., 2017). Previous research indicates that autonomous behaviour can be promoted by providing a greater degree of choice and having less reliance on controls and constraints (White & Thompson, 2009). 98% of marketers agree that some form of personalization helps develop customer relationships (Mahmoudi & Parviziomran, 2020). Gen Z consumers, in particular, prioritize personalized experiences tailored to their individual preferences (Ameen & Anand, 2020).

### **Uniqueness and exclusivity**

Gen Z seeks uniqueness, especially expressing a unique point of view, a unique style and unusual hobbies and interests (Goldring & Azab, 2021a). They pay attention to what brands and products offer them for their individualized self-representation and use social media and brands for personal branding (Kupec, 2016). They aim to showcase a personal style characterized by high-quality, functional, and fashionable items, creating an exclusive look that reflects their personal brand to others (Goldring & Azab, 2021a). Gen Z's self-concept is partially determined by the group to which they want to belong. Therefore, peer acceptance is very important to them. They share personal experiences and recommendations, and accept being influenced by their peers (Van den Bergh et al., 2024). Consumption has become a form of self-expression for Gen Z. Compared to Millennials, Gen Z consumers are more inclined to prioritize customized services and products tailored to meet their individual needs. They gravitate towards brands that allow them to express their individuality and uniqueness, and they are willing to pay premium prices for such personalized experiences (Francis & Hoefel, 2018).

### **Social and environmental values**

Gen Z actively seeks ways to have a positive impact on the world. They value diversity, inclusion, human equality, and sustainability, both environmentally and socially. They believe

that brands should embody these values and contribute to making a positive difference (Van den Bergh et al., 2024). Gen Z demonstrates a greater awareness of issues concerning race, diversity, and sustainability compared to other generations and actively engages in advocating for social causes. Many within this generation are drawn to companies that prioritize addressing societal issues (Coman et al., 2022). Gen Z is further characterized by their pursuit of truth, originality, and ethical standards in their interactions with brands (Ameen et al., 2023).

Sustainability and environmental concerns lie at the heart of Gen Z's interests. They are particularly mindful of the sustainability and corporate social responsibility policies of the companies from which they purchase goods (Narayanan, 2022). They are strongly influenced by their personal values and beliefs in developing relations with brands and their shift in ethical/sustainable consumption is influenced by their peer influence circles and contributes to their self-branding (Riivits-Arkonsuo & Leppiman, 2015; Robichaud & Yu, 2022). In the retail sector, Gen Z consumers place a strong emphasis on sustainability, shaping their purchase decisions according to their personal, social, and environmental values and principles (Ameen et al., 2023). A significant majority of Gen Z consumers prefer to support sustainable brands, demonstrating their commitment through a willingness to pay up to 10% more for sustainable products (Youn & Cho, 2021). Hence, they play a pivotal role in fostering an environmentally conscious population and offer insight into a potential future society through their green purchasing behaviour and response to green marketing content (Szabo & Webster, 2021). Green consumers in Gen Z often have negative views towards corporations and are skeptical of advertising, which makes it hard for them to trust green marketing (Ameen et al., 2023). This can undermine confidence, as consumers typically depend on corporate advertising and messaging to make a purchase decision. Compared to older generations, Gen Z consumers are skeptical about firms that take opportunistic advantage of environmental trends (Narayanan, 2022).

### **Authenticity and brand loyalty**

Gen Z, being more aware and informed than previous generations, tends to distrust brand messages. They are often critical and cynical about advertising, finding it challenging to believe in a brand's intentions. Instead, they prefer subtle and authentic marketing messages and creative content over excessive product advertisement (Djafarova & Bowes, 2021). They are also less loyal to brands compared to other consumer cohorts, relying more on user-generated content on social media for trust rather than the brands themselves. Gen Z holds higher expectations and places greater emphasis on the overall experience (e.g. interactions and service) (Priporas et al., 2017). If their expectations are not met, they are inclined to express their dissatisfaction on social media platforms and may switch to alternative brands (Thangavel et al., 2022). Authenticity holds significant importance for individuals in Gen Z, and

they highly value brands that demonstrate authenticity. Consequently, predicting their response to artificial intelligence may prove challenging (Ameen et al., 2023). As Gen Z demonstrates less brand loyalty compared to previous generations, transparency and authenticity become crucial elements in building trust and loyalty among this demographic. Brands that communicate openly and authentically, while aligning with the values and preferences of Gen Z, are better positioned to cultivate lasting relationships with them (Ameen & Anand, 2020; Van den Bergh et al., 2024).

### **Wine consumption behaviour**

The wine industry, in particular, is undergoing a significant shift with the emergence of Gen Z as a pivotal demographic (Thach et al., 2021). Historically, each generation has brought its distinct characteristics to the wine market, whether influenced by others or self-developed, diverging substantially from the tastes and behaviours of its predecessors (Mora, 2006). However, Gen Z's preferences and consumption patterns are very different from previous generations (Ozkan & Solmaz, 2015). The first empirical wine research study exploring the wine preferences and behaviours of Gen Z in the US was conducted by Thach et al (2021). Gen Z, Millennials, Gen X, and Baby Boomers were compared on purchase behaviour, taste preferences, favourite wine styles, and motivations to consume wine. The research revealed that Gen Z and Baby Boomers had similar wine-drinking frequencies, while Millennials and Gen X were more likely to be high-frequency wine consumers. They found that all generations had a strong preference for red wine. However, Gen Z was more likely to prefer sparkling wines. The study also revealed that wine consumers from Gen Z were more likely to be motivated by socializing with friends and family while having wine than the other three generations (Thach et al., 2021).

#### **2.2.2. Purchasing behaviour**

##### **Price and discounting**

Because of economic instability and financial insecurity, Gen Z has 86% less purchasing power than Baby Boomers had when they were in their 20s (Ameen et al., 2023). Unlike Millennials, who are perceived as big spenders, Gen Zers are savings-minded, savvy customers who put a high emphasis on functional value, fun value, and value for money to develop positive attitudes and word-of-mouth intentions (Entina et al., 2021; Ng et al., 2021). They actively seek value-conscious purchases and conduct extensive searches for products to find discounts and promotions, aiming to save even a small amount on the purchase price. They prefer the price transparency of online retailers and often use mobile apps when shopping in physical stores to find a better price online (Goldring & Azab, 2021a). Impulsive consumption behaviour has reduced significance among Gen Z and they are not willing to

sacrifice quality for price (Kim et al., 2020). Younger demographics are more apt to spend time researching aspects of wine clubs such as quality, price, and social value from multiple resources as well as use innovative shopping channels. Wine clubs may be at greater risk of losing younger consumers than older given their research capacity (Krishen et al., 2023). While many Gen Zers express concerns about their financial literacy, more than half of the generation does not worry about financial problems (Ameen et al., 2023; Van den Bergh et al., 2024).

### **Variety-seeking**

The notion of an optimal level of stimulation has been used to explain variety-seeking tendencies in consumers and has been extensively researched in marketing since the 1960s (Newton et al., 2018). Age is a consumer characteristic on which the variety-seeking depend, with high variety seekers being the youngest, moderate variety seekers in the middle and the variety avoider the oldest in terms of their mean age (Olsen et al., 2015). Gen Z wine consumers exhibit a strong preference for trying new wines and they are more inclined to explore different regions, grape varieties, and unique production methods (Thach et al., 2021). They enjoy the experience of discovering new flavours and styles, which aligns with their general curiosity and willingness to experiment. Influencers and viral content play crucial roles in shaping their choices, encouraging them to try new wines based on online recommendations and trends. This constant exposure to new stimuli on social media platforms fosters a high level of variety-seeking behaviour (Olsen et al., 2015; Thach et al., 2021).

### **Packaging**

Gen Z has always had more choices in the marketplace, both in brick-and-mortar retailers and in e-commerce, than their predecessors and so their reliance on using design-based or aesthetic differentiation to make choices is likely to be strong (Wood, 2013). Volfová et al. examined different age cohorts' attitudes towards the marketing usage of high-quality, personalized packaging (Volfová et al., 2022). While older generations admitted that packaging was not important and they would not pay extra for it, younger generations, including Millennials and Gen Z, responded that they would be willing to pay more for personalized packaging. If the packaging has an interesting design, people like to reuse it. Gen Z identified the sustainability of packaging material as the second most important attribute and linked the attributes of added value and design with ecology. In addition, all respondents acknowledged that good quality packaging can persuade them to buy from the e-shop again and thus become regular customers (Volfová et al., 2022).

## **Social media and SMIs**

Gen Zers are influenced by social media and corporate social responsibility efforts, which significantly impact their purchase intentions (Raza et al., 2022). 80% will research a product online before purchase, including looking at review sites of the product and social media pages of friends (Duffett, 2017). In terms of tourism, Liu et al. (2023) found that Gen Z tourists are more susceptible to the traits of social media marketing activities when choosing a destination and they are also more likely to visit a desired destination than their generational counterparts. Gen Z, just like Millennials, prefers creative, authentic, user-approved products, and they want to see those products being used by people that they trust. Therefore, social media influencers (SMIs) play a major influence on the Gen Z consumer decision-making process, as they are convinced that SMIs convey more authentic, trustworthy, and reliable information than the brand itself (Munsch, 2021; Thach et al., 2021). Moreover, SMIs play a crucial role in shaping their purchasing decisions, highlighting the importance of digital marketing strategies in reaching this demographic (Kahawandala et al., 2020).

## **Wine purchasing behaviour**

Thach et al. (2021) found that price (79%) and brand (69%) are the most common considerations for decision-making across all generations, with country, rating, state, vintage, and medals also playing important roles. Gen Z, in particular, places greater importance on varieties and labels compared to other cohorts. This emphasis on varieties indicates that Gen Z consumers are specific about the types of wine they prefer, seeking out particular grape varieties. Their focus on labels underscores the significance of visual appeal and packaging design in their decision-making process. Additionally, Thach et al. (2021) highlighted that wine packaging is a crucial area to explore, as many US consumers are significantly influenced by container and label design due to the abundance of wine brands available in the market. In terms of the location of the purchase, McGarry et al. (2022) found that a vast majority of Gen Z (98.8%) purchase wine at stores, bars, or restaurants, while other wine purchasing sources, such as pick-up (7.4%), delivery (7.4%), wine clubs (5.7%), and e-commerce (4.5%), have significantly lower percentages. Similarly, Thach et al. (2021) highlighted that Gen Z shows a significant preference for tasting rooms compared to Baby Boomers and Gen X, further underscoring their inclination towards in-person wine purchasing experiences (McGarry et al., 2022; Thach et al., 2021).

Gen Z shows a strong preference for wines in the \$10.00–\$14.99 and \$5.00–\$9.99 ranges, indicating a tendency towards moderately priced wines. Their preference for wines priced under \$4.99 and \$5.00–\$9.99 is notably higher than other generations, reflecting a sensitivity to price and possibly a lower budget for wine purchases. The preference decreases

significantly for wines priced above \$20.00, with minimal interest in wines priced \$50.00 and higher. The preference for mid-range wines priced \$10.00–\$14.99 is the highest among Gen Z at 37.7%, suggesting that when they do spend more, they seek quality wines that are still affordable. This range appears to be the sweet spot for Gen Z, offering a balance between cost and quality (McGarry et al., 2022).

This emphasis on affordability aligns with Gen Z's broader consumer preferences. Good value for money is the most desirable attribute for Gen Z and Millennial consumers. High wine ratings are more important to Gen Z and Millennials than to Gen X. Additionally, Gen Z and Millennials prefer wine from local producers more than Gen X and Baby Boomers do. Social causes also resonate more with Gen Z, who rate donating profits to save endangered wildlife higher than other generations. Furthermore, about a third of Gen Z wine consumers expect to buy more wine online, and less in physical retail outlets. This shift towards online purchases reflects their adaptability and preference for convenience, further emphasizing their distinct consumer behaviour and values. Therefore, there are sales opportunities for producers that provide purchasers with positive user experiences (UX) through retail and online channels for younger demographics (McGarry et al., 2022).

### **2.2.3. Online purchasing behaviour**

Known for their efficiency-seeking behaviour, Gen Z prefers online shopping over traditional shopping. With the rapid expansion of online shops, there has been a noticeable change in people's buying habits, particularly among Gen Z, who appear to be shopping online more than ever before (Ayuni, 2019). Therefore, creating an engaging, interactive, and seamless online shopping experience that meets their functional, social, and conditional value expectations is key to fostering long-term loyalty (Rana et al., 2024).

Gen Z has high expectations and prioritizes the overall experience when purchasing products. Maintaining good e-service quality is crucial for satisfying Gen Z, as it makes them feel they receive more social, economic, and functional benefits, leading to a great experience and customer value (Ayuni, 2019). Their main concerns when using websites include information, aesthetics, ease of use, security/privacy, and reliability. Gen Z expects websites to be easy to navigate, provide comprehensive product and information searches, maintain personal information securely, offer various delivery options, and feature attractive designs and layouts to enhance their satisfaction (Ayuni, 2019).

Functional value is the most significant determinant of online shopping behaviour among Gen Z, followed by social value, conditional value, and epistemic value. Product attributes are crucial for online shoppers, and it is now easier to identify product features and benefits through detailed information on company websites (Rana et al., 2024). Social influence plays

a significant role in Gen Z's online purchase decisions, as they are motivated by family, friends, classmates, and other reference groups (Kaur et al., 2021; Rana et al., 2024). Gen Z considers social value vital in online shopping and marketers should design communication strategies that enhance users' social image, especially among friends and family (Rana et al., 2024). Additionally, Gen Z prefers interacting with others and seeks a sense of belonging. Therefore, online retailers should build communities within their platforms, allowing users to interact with other customers (Rana et al., 2024). Conditional value is also significant in Gen Z's online shopping behaviour. This generation places importance on service affordability and seeks extrinsic motivational factors like price discounts (Rana et al., 2024). Gen Z customers look for detailed brand information, terms and conditions, and easy information collection, which ultimately motivates their purchase decisions (Rana et al., 2024). Gen Z increasingly seeks interactive and fun brand experiences, with a growing need for pleasure, knowledge and exploratory activities over time. Brands that use techniques to provide pleasant experiences can impact Gen Z's emotional aspects and influence their shopping behaviour (Agarwal & Sahu, 2022; Caboni & Hagberg, 2019; Rana et al., 2024).

While Gen Z segments are largely similar in different geographical areas and are convergent in different countries, the expectations from brands and the relative importance of certain segments vary (Ismail et al., 2021; Van den Bergh et al., 2024). Looking at the relative size of the segments, exclusivity and sustainability-related branding appeals to 60%-70% of Gen Z, whereas inclusivity claims resonate with around half of them (Van den Bergh et al., 2024). Therefore, it is suboptimal to assume that all of Gen Z can be persuaded simultaneously by focusing on brand exclusivity, trendiness, inclusivity, and sustainability (Van den Bergh et al., 2024).

Some segments are uninterested in inclusivity, sustainability, exclusivity, or are even explicitly not interested or worried about some of these issues and should, thus, be approached by marketers in different ways and with different arguments. On the other hand, segments are relatively similar in their perceptions about the online world. It is fair to conclude that all Gen Z segments are very active online, which is where marketers can reach them. Most Gen Z segments are avid followers of SMIs; therefore, it is advised to incorporate SMIs in marketing campaigns. As similar segments are present in various geographical areas, it allows advertisers to develop global campaigns with the same messages targeted at Gen Z segments that are similar across countries. Customizing brand messages to the different segments in this manner in targeted online and offline media will most likely enhance marketing effectiveness (Van den Bergh et al., 2024).

### **3. Case study analysis**

#### **3.1. Tank Garage Winery**

##### **Overview**

Tank Garage Winery, a family-owned, 100% DtC brand in Calistoga, California, was founded in 2014 with a vision to push the boundaries of traditional winemaking and celebrate creativity and bold visionaries. The winery sources uncommon, misfit varieties from growers promoting sustainable practices and produces wines that challenge norms and archaic conventions. From the blend to the bottle to the style in which the wine is made, they never repeat the same wine twice. The winery releases approximately 25 new wines each year, with an average bottle price (ABP) of \$47.50. This is well below Napa's average retail price of \$108 (McMillan, 2023a). In 2024, Tank Garage Winery opened its second location in Paso Robles, coinciding with the 10th anniversary of its original tasting room in Calistoga, which had been transformed from a 1930s-era gas station. A decade ago, such a concept was unusual in Napa Valley, a region known for its more conventional approach to wine. Today, Tank Garage has become a hub for innovative minds, nonconformists, and young consumers eager to challenge traditional norms and embrace a modern, unconventional approach to winemaking.

##### **Wine club structure and benefits**

The MADE Club operates as an automatic wine club, featuring five releases per year, and three membership levels: 3-Bottle, 6-Bottle, and 12-Bottle, with benefits increasing at each level. The 3-Bottle membership offers a 10% discount on wines, two complimentary tastings per visit with the price per release ranging from \$135 to \$185. The 6-Bottle membership provides a 15% discount, four complimentary tastings per visit with a price range of \$275 and \$335. The 12-Bottle membership offers a 20% discount, six complimentary tastings per visit with the price per release varying from \$400 to \$675. Upon online enrollment, customers are automatically billed and sent the current release unless otherwise noted. If a member cancels before receiving 3 total releases, a \$150 cancellation fee is charged. All levels exclude tax and shipping, which costs \$1 for orders of 12 or more bottles. Shipping costs for the 3-Bottle and 6-Bottle levels are not communicated.

The wine club provides exclusive access to new wines every release along with small-lot and members-only wines. It provides members with free event tickets, access to 'The Backroom', two free tastings at James Cole Estate Winery (sister winery), special pricing with hotel partners and free branded merchandise. It is also possible to acknowledge a service team member during enrollment.

### **SKU diversity**

As Tank Garage releases approximately 25 new wines each year, the variety and uniqueness-seeking behaviour of Gen Z is well addressed. Moreover, by offering small-lot and members-only wines, the wine club conveys a sense of exclusivity. However, previous and upcoming club shipments are not shown on the website, making the variety of SKUs in each shipment unknown and the communication less transparent.

### **Customization and flexibility**

The Made club allows members to customize default selections online prior to billing. Moreover, members can skip up to two shipments a year.

### **Social and environmental values**

The "Tank Cares" program is an initiative focused on supporting charitable causes through the sales of specific products. Each purchase of a Tank Cares product contributes to donations for various organizations. Since its inception, the program has raised over \$111,000 for causes like mental health, LGBTQ+ rights, wildlife conservation, and education. The winery supports organizations such as The Roots Fund, AIDS Healthcare Foundation, and the National Alliance on Mental Illness, ensuring that each product sold makes a meaningful impact. Their "Love is Louder Than Bombs" label, for example, was designed by Ukrainian sisters and donates \$2 per bottle to Ukrainian relief efforts, benefiting organizations like Good Bread, the Prytula Foundation, and the Ukrainian Women Veteran Movement.

### **Strategic partnerships**

Tank Garage Winery collaborates with artists and brands outside of wine to cross-pollinate consumers with authentic movements. One of their recent projects was a collaboration with HUF Worldwide, a skateboarding and streetwear brand, to create a limited-edition orange wine that appeals to both HUF and Tank Garage customers. Within the first hour of its release, they received over 100 orders. Furthermore, to provide members with strategic partnerships, Tank Garage offers tastings for hotels in exchange for room discounts for their members.

## **3.2. Ashes & Diamonds Winery**

### **Overview**

Ashes & Diamonds Winery, established in 2017, pays homage to the California golden era through its mid-century architecture and light-handed, terroir-transparent winemaking. Besides its sustainably farmed, old-school Napa wines, A&D prides itself on being the first winery in the valley to produce zero-zero natural wines. With more than 10 SKUs available on their online store at an ABP of \$87.50, Ashes & Diamonds positions itself below the Napa average. Their creative hospitality program boosts seven different tasting experiences, with

tours paired with multi-course meals prepared by in-house chefs and one being available only for wine club members.

### **Wine club structure and benefits**

The A&D Membership is an automatic wine club with only one recurring shipment per year. There are three membership levels available: 3-Bottle, 6-Bottle, and 12-Bottle, with benefits increasing at each level. The 3-Bottle membership costs \$250 to \$350, the 6-Bottle \$600 to \$700, and the 12-Bottle \$1000 to \$1200 per shipment. The 3-Bottle and 6-Bottle memberships offer the same benefits with \$25 flat-rate shipping within the US, while the 12-Bottle membership provides complimentary experiences and shipping within the US. Following signup, A&D immediately processes the first shipment, and the next recurring shipment will be processed in the fall. Members must receive at least one recurring fall shipment before canceling their membership. While there is only one annual recurring shipment, members-only releases are available throughout the year and A&D Members receive first offerings of each vintage.

The A&D Membership offers exclusive benefits, including complimentary picnic experiences, discounted rates on wine and food experiences, and early access to winery events. Additionally, there are member-exclusive wines, priority seating, and the ability to extend benefits to friends and family for out-of-state members. During the holiday gifting season, members receive complimentary A&D gift boxes designed by their label designer and artist with their purchase of A&D wines.

### **SKU diversity**

The 2024 pre-fall wine club shipment includes 3 SKUs in both the 3-Bottle and 6-Bottle clubs, and 4 SKUs in the 12-Bottle club. The wine club offers member-exclusive wines.

### **Customization and flexibility**

The A&D Membership does not allow members to customize or skip shipments.

### **Social and environmental values**

The winery donates a portion of certain wine sales to global activism nonprofits.

### **Strategic partnerships**

The A&D Traveler provides various benefits from partner hotels and restaurants: special room rates at premier hotels in Napa, Sonoma, and San Francisco, as well as access to a variety of pool passes to some of the area's most celebrated hotels.

### **3.3. Scribe Winery**

#### **Overview**

Scribe, a family-owned winery founded in 2007 on a property that pioneered pre-prohibition Sonoma Valley winemaking, has gained a cult following among younger demographics. The winery produces terroir-driven, non-interventionist wines from grape varieties that are not typically associated with the region, with an ABP of \$42.43. In a crowded space, Scribe has differentiated itself with a unique DtC and membership program that fosters strong customer loyalty and encourages repeat visits. To book a reservation or participate in any events, customers must first become members of the Scribe Viticultural Society, which is essentially the property's wine club.

Their hospitality program is one of the reasons why SVS attracts customers who normally would not consider joining a wine club. It features exclusive on-site parties with pop-up dinners hosted by renowned chefs, where they prepare farm-to-table seasonal cuisine, and collaborations with local artisans and musicians.

#### **Wine club structure and benefits**

The Scribe Viticultural Society is an automatic wine club, featuring four vintner-curated allocations per year, released in the winter, spring, summer, and fall. Customers can choose from three membership levels: 4 Bottles, 6 Bottles, and 12 Bottles, with each level allowing members to switch allocation throughout the year. The 4 Bottles membership offers a 10% discount on all bottle purchases and reduced flat-rate shipping. The white selection costs \$160, the mixed \$209, and the red \$252. The 6 Bottles level provides members with a 15% discount on all bottle purchases and complimentary shipping. The white selection costs \$224, the mixed \$292, and the red \$388. The 12 Bottles level offers a 20% discount on all bottle purchases, along with complimentary shipping. The white selection costs \$422, the mixed \$576, and the red \$675. Upon joining, new members receive the current allocation and commit to receiving a minimum of two consecutive SVS allocations.

In addition to special pricing, the membership also includes exclusive access to visit the Scribe farm, with up to five guests, and invitations to Scribe dinners and events, on the farm and around the country. Furthermore, it provides first access to new releases and limited production bottlings. Four times a year, Scribe welcomes its members to the property for a pickup party where members reconnect with friends, enjoy cuisine, listen to music played on the lawn, and leave with a new allotment of wine.

### **SKU diversity**

The 2024 4-Bottle Spring release includes 3 SKUs in the White Wine, 4 SKUs in the Mixed Wine, and 2 SKUs in the Red Wine allocation. The 6-Bottle allocation features 3 SKUs in the White Wine, 4 SKUs in the Mixed Wine, and 3 SKUs in the Red Wine allocation. The 12-Bottle club offers 3 SKUs in the White Wine, 6 SKUs in the Mixed Wine, and 4 SKUs in the Red Wine allocation. As Scribe releases more than 20 SKUs each year, including five SVS Exclusives, and allows members to switch between allocations, the wine club can effectively engage members with a variety of wines throughout the year.

### **Customization and flexibility**

While the wine club does not allow members to customize or skip shipments, they can switch between allocations at any time.

### **Social and environmental values**

Scribe sources its grapes from its estate vineyards, all of which are farmed using biodynamic and organic methods. The winery's commitment to sustainability extends beyond the vineyards to include its farm and tasting room. The Scribe Community Fund supports programs and nonprofits seeking to enrich youth education and work towards environmental sustainability. It also provides college-level scholarships to students from Sonoma County who are pursuing courses of study in viticulture, enology, agricultural business, environmental sustainability, or hospitality.

### **Strategic partnerships**

Scribe outsources wine tastings to various locations to extend their reach and provide a unique experience for their customers beyond the winery itself. These outsourced tastings occur at select partner venues such as luxury hotels, high-end restaurants, and exclusive events.

## **3.4. Discussion and implications for managers**

### **Moving beyond the traditional subscription model**

In a subscription-based business model, the focus shifts from mere transactions to building relationships and fostering a sense of belonging. Customers are not just buying products; they are subscribing to the company itself, allowing them to have a larger impact on various aspects of their lives. The wine clubs analyzed in this paper are standout examples of the wine subscription market. What they have in common is that they moved beyond the traditional wine club model and created a network that empowers members to extend the experience and craft their own adventures beyond the tasting room. Gen Z, in particular, is a unique segment that constantly seeks brands that add to their individualized self-representation (Kupec, 2016). These wineries have aligned their core values with those of Gen Z, created an

outstanding concept with authenticity, and represent a lifestyle that this demographic enjoys associating with. Every touchpoint, from hospitality services to digital engagements, resonates with their preferences. While the structural level remains very important, the most successful wine clubs prevail through experiences.

### **Wine club levels**

As Gen Z actively seeks value-conscious purchases and conducts extensive searches for products, aiming to save even a small amount on the purchase price (Goldring & Azab, 2021b; Krishen et al., 2023), wine clubs should opt for lower-priced membership levels, guarantee the best market price on the wines offered, and provide discounts and complimentary experiences. While discounting might not be an option for many brands due to brand reputation, wineries with higher ABPs should offer club levels with fewer SKUs (3 or 4 bottles) to create lower-priced options. In such cases, premium brands can provide members with other monetary benefits, such as complimentary shipping, preferred pricing on tasting experiences, or strategic partnership perks. With a variety of levels, each with an optimal pricing strategy, customer acquisition becomes easier and churn is reduced.

### **Transparency**

Transparency is a cornerstone for building trust and loyalty among wine club members, particularly Gen Z consumers, known for their skepticism towards brands. Gen Z customers consistently look for detailed information, terms and conditions, and easy information collection. For wine clubs, this means being clear and upfront about every detail, such as pricing, benefits, shipping costs, and any additional fees or charges.

Transparency in wine club pricing can be achieved through variable rates, allowing wineries with a wide range of SKU prices more flexibility. Moreover, wine clubs should provide detailed breakdowns of membership costs, including taxes, the price per shipment, discounts applied, and how these compare to the retail price of the wines included. For instance, some wine clubs only highlight the complimentary shipping fee for orders of 12 or more bottles, neglecting to provide clear information about shipping costs for lower levels. As Gen Z is likely to opt for lower levels, they will seek the missing information, and its absence may deter them from joining. Furthermore, wine clubs should highlight previous and upcoming wine club selections to showcase variety and maintain transparency, helping to build trust and excitement among members.

While autonomy for Gen Z is important, many wine clubs require members to stay in the club for a certain number of shipments or impose a cancellation fee for ending a membership prematurely. In the terms and conditions, wine clubs should outline their cancellation process, any fees involved, and the notice period required. Furthermore, providing an easy way to

terminate the membership is essential. As Gen Z prefers to avoid direct communication methods, it is crucial to ensure that online cancellations are easy to complete.

### **SKU diversity**

Young consumers appreciate variety and the opportunity to choose from different options. Gen Z exhibits a strong preference for trying new and different wines, making SKU diversity a crucial factor in club shipments. (Offering a variety of SKUs is also a strategic approach for reorders, as club members can sample and reorder their preferred wines. Reorders can be incentivized by including a coupon code in each shipment, offering a discount that can be utilized within a limited timeframe.) This approach not only satisfies variety-seeking behaviour but also reduces the likelihood of membership termination (Moss, 2020). Club-exclusive wines and collaborations between wineries or other brands can also play a significant role in enhancing variety. By partnering with other wineries, a wine club can offer its members access to wines that might not be part of their usual portfolio. Such partnerships can also involve joint events, special tastings, and co-branded wine releases and can be beneficial for both parties in the long-term if the core values are aligned.

### **Customization and flexibility**

As Gen Z values flexibility and the ability for customization, it becomes essential that wine club experiences adapt to this need. While traditional wine club models have the winery selecting the wines, user-choice and subscription models place more power in the hands of consumers. A user-choice model enables members to customize their shipments, while the subscription model lets members select the variety and number of wines, as well as their preferred shipping frequency. Increased member flexibility is a strategic move to boost wine club revenue, as the ability to edit a club shipment results in 9.3% increase in average order value (Commerce7, 2024). In case of a subscription model, winery DtC platforms, such as Commerce7 or WineDirect, automate the experience for members by creating personalized selections based on their historical purchases. Another excellent option presented by Scribe to provide more flexibility is to allow members to change their wine selection throughout the year. As the primary reasons for club cancellations are “too much wine” and “financial reasons,” the option to skip a shipment is a valuable retention tool. By empowering members with more control, wineries can address potential dissatisfaction and reduce the risk of termination. Flexibility in payment options can also support Gen Z's financial habits and preferences. Offering multiple payment methods by providing options for annual or monthly payments can give members the flexibility to choose a payment plan that best suits their financial situation. For instance, offering a small discount for annual upfront payments can encourage long-term commitment

while providing monthly payment plans can make memberships more accessible to those with limited budgets. It might be beneficial to leave the choice to the customer.

### **Social and environmental values**

For wine clubs, the most important benefit of sharing values may be earning trust. Customers, Gen Z in particular, are more likely to enter into an ongoing subscription relationship with wineries that share their values. Given the substantial emphasis Gen Z places on environmental and social values, wine clubs can effectively engage this demographic by communicating their commitment to making a positive impact on the world. Although production-level practices might come first, wine clubs can adopt strategies to convey social and environmental values irrespective of production methods or certifications.

The wineries presented in this case study exemplify a range of successful approaches to integrating social and environmental values into their business models. Instead of traditional donations, wine clubs can break down contributions into small, specific actions that directly support various causes. B1G1 (Buy1Give1) emphasizes tangible, measurable impacts by tying each activity to a specific charitable action. This approach allows businesses of all sizes to participate in meaningful giving and helps customers see the direct outcomes of their purchases. For example, a wine club can link a successful shipment to planting a tree for \$1.00, but members can also choose the impact they want to create. As B1G1 uses an API, wineries can create interactive dashboards to help members track the cumulative effect of their contributions over time.

### **Experience**

Younger demographics prefer to spend their income on "experiences" rather than "things." Therefore, one of the most compelling strategies for engaging Gen Z is to extend the brand beyond the tasting room, creating a lifestyle that members feel privileged to be part of. This approach enhances the value of the membership and fosters deeper connections with the brand. By offering exclusive experiences that resonate with the interests and values of Gen Z, wineries can significantly increase member acquisition and loyalty.

Tank Garage Winery collaborates with hotels to provide its members with special pricing. In return, the winery hosts wine tastings at the hotel venues. This symbiotic relationship benefits both parties: hotels can offer their guests exclusive experiences, while Tank Garage Winery expands its brand presence and reaches a broader audience, while enhancing their impact on their members' lives. Ashes & Diamonds Winery exemplifies this strategy by providing access to resort pools throughout California. This extension of the wine club experience goes beyond the winery itself, allowing members to associate the brand with a luxurious and exclusive lifestyle. By partnering with high-end hotels and resorts, the winery creates a

seamless integration of its brand into the members' broader lifestyle. Scribe Winery offers a unique approach by hosting on-site parties and pop-up dinners with renowned chefs. These events, exclusive to club members, create a sense of community and belonging, making members feel like they are part of an exclusive group. This approach not only boosts customer retention but also enhances word-of-mouth marketing, as the exclusivity and unique experiences offered are highly shareable. This strategy is particularly effective with Gen Z, as peer influence plays a crucial role in their decision-making.

### **Strategic partnerships**

Strategic partnerships play a crucial role in enhancing the value proposition of wine clubs, particularly for Gen Z consumers who prioritize experiences and social engagement. The partners a winery chooses impacts the brand image, and several steps of the customer journey, from initial awareness to brand advocacy. By collaborating with the ideal partners, wineries can guide customers through an experience that deepens their relationship with the brand. Partnerships with businesses frequently purchased by the winery's customers are particularly effective for co-marketing campaigns, create mutual value and broaden the customer base. Moreover, by observing guests' needs at the tasting room, such as questions regarding restaurant, hotel, or transportation recommendations, wineries can build a network around their customers.

For local wine club members, regular visits to the tasting room are a valuable touchpoint. However, for those further away, this connection can be missed. To address this, wineries can organize wine club events through strategic partnerships and take the experience to regions with significant concentrations of club members. Allowing members to bring friends to these events can attract new potential wine club members.

### **Packaging and collateral**

A high-quality wine club package delivers an experience of anticipation, discovery, and the physical act of unboxing, which members are likely to share, thereby reaching others with similar interests and expanding the club's community. This preference is particularly true for Gen Z, reflecting their desire for authenticity and uniqueness. Personalized collateral can further increase the value of the shipment and serve as a powerful marketing tool, allowing brands to connect with their customers on a deeper level, increasing loyalty and sales while standing out in a crowded marketplace.

## 4. Conclusion

Wine clubs are one of the most important DtC sales channels for US wineries with the highest share and average order value across all DtC sales channels. Today, there are more than 11,500 wineries in the US (Sovos ShipCompliant, 2024) and about a quarter of them plan to expand their wine club sales and increase the number of wine club members (Beak, 2024). With tremendous wine subscription options available from wine shops, online retailers, wine importers, wine bars, and even restaurants, it becomes increasingly difficult for wineries to stand out with their offerings. As Baby Boomers, the most important demographic for the wine industry, gradually age out of the market, there is a pressing need to replace them with younger consumers. Gen Z, the largest existing generation, presents a major challenge for wine club marketers who are currently confronted with the complex task of simultaneously positioning to the preferences of both older and younger demographics. As Gen Z demonstrates significantly different consumption patterns than any other generation, traditional wine club models fail to effectively target them. This means that wineries must innovate and adapt their wine club marketing strategies to resonate with the preferences of younger demographics.

For Gen Z, it is imperative for brands to clearly communicate what they stand for and the values they uphold. Gen Z wants to know what a brand believes in, how it engages with the community, and whether it aligns with their values. They look for brands that resonate with their voice and support social movements promoting inclusivity and justice. They value sustainable practices that give back to the environment, and they are willing to financially support companies that uphold these ideals. Taking a stance on environmental and social issues can be a powerful tool for building customer loyalty, generating positive media coverage, and increasing brand awareness. However, inauthentic attempts to jump on social or cultural trends can damage a brand's reputation. Therefore, brands must ensure that their social stance aligns with their core values, and what their target customers truly care about. Furthermore, as Gen Z is hyper-aware of greenwashing and 'manufactured authenticity', brands should reflect on their own values and beliefs and use these truths to build authentic empathy and connection with younger consumers.

Gen Zers continuously seek products that align with their lifestyle, reflect their personal identity, enhance their self-representation, and contribute to their self-branding. Therefore, authentic storytelling that creates a sense of connection to the product, along with experiences that foster a lifestyle customers feel privileged to be part of, are among the most compelling strategies for engaging this generation. Strategic partnerships not only enhance the value proposition and add value to wine clubs but also provide an excellent way to extend the experience, allowing members to craft their own adventures beyond the tasting room. Wineries

might collaborate with businesses frequently purchased by their target group to create mutual value and broaden the customer base.

Co-branded products by wineries and brands outside of the wine industry can effectively address the variety-seeking behaviour of Gen Z, which poses a challenge for wineries with a limited number of SKUs. Although club-exclusive wines provide a strong incentive for customers to join and maintain their membership in wine clubs, co-branded products can be even more powerful. They help expose the brand to new audiences and enhance brand credibility. While Gen Z highly values increased SKU diversity, having the ability to choose from various options is equally important. Enhanced flexibility and the ability to customize shipments are essential for meeting Gen Z's preference for autonomy and personalized experiences. Today, there are numerous DtC platforms that empower wineries to provide members with flexibility in shipping frequency, the number and variety of bottles shipped, payment options, and the ability to skip shipments.

The wine clubs analyzed in this paper are standout examples of the wine subscription market and are among the very few that have successfully engaged the largest and most challenging generation. The tactics included in this study provide a framework for wineries to better position their wine club offerings for Gen Z and become competitive in today's saturated market by attracting new customers.

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## 6. Annexes

### Annex 1

Key attributes	Gen Z characteristics and values	References
Technology	Digital natives: lives online and virtually integrates and engages with its favorite brands	(Van den Bergh et al., 2024)
Digital experience	Seeks aesthetic, seamless, engaging, interactive online experiences. Looks for detailed brand information, terms and conditions, and easy information collection. Values various payment and delivery options.	(Priporas et al., 2017; Rana et al., 2024; Van den Bergh et al., 2024)
Communication	70% struggle with in-person communication and prefers instant messaging and social media interactions. Seeks instantly accessible, easily consumable, shareable, engaging contents, primarily images and videos.	(Pichler et al., 2021; Van den Bergh et al., 2024)
Price and discounting	Savings-minded, savvy customers. Seeks value-conscious purchases and conducts extensive searches for products to find discounts and promotions, aiming to save even a small amount on the purchase price. However, not willing to sacrifice quality for price.	(Entina et al., 2021; Goldring & Azab, 2021b; Ng et al., 2021; Parker, 2020)
Variety-seeking	High-variety seekers: have strong preference for trying new wines and is more inclined to explore different regions, grape varieties, and unique production methods. Enjoys the experience of discovering new flavors and styles, which aligns with their general curiosity and willingness to experiment.	(Thach et al., 2021)
Customization	Values autonomy, prioritizes customized services and products tailored to meet their individual needs. Gravitates towards brands that allow them to express their individuality and uniqueness, and are willing to pay premium prices for personalized experiences.	(Francis & Hoefel, 2018)
Peer Influence	Increased importance of peer acceptance: determined and motivated by the group to which they want to belong. Highly motivated by family, friends, classmates, SMIs, and other reference groups. Trusts user-generated content on social media more than the brands themselves. Prefers interacting with others and seeks a sense of belonging. Their shift in ethical/sustainable consumption is influenced by their peer influence circles and contributes to their self-branding.	(Kaur et al., 2021; Munsch, 2021; Rana et al., 2024; Raza et al., 2022; Thach et al., 2021; Van den Bergh et al., 2024)
Brand skepticism	Tends to distrust brand messages, critical and cynical about advertising.	(Djafarova & Bowes, 2021)
Social values	Increased importance of social values: believes that brands should contribute to making a positive difference. Expect brands to be socially responsible and transparent.	(Ameen et al., 2023; Van den Bergh et al., 2024)
Environmental values	Most environmentally conscious generation: prefers to purchase sustainable brands, and pays 10% more for such products. Engages in activism. Skeptical about firms that take opportunistic advantage of environmental trends.	(Narayanan, 2022; Riivits-Arkonsuo & Leppiman, 2015; Robichaud & Yu, 2022; Youn & Cho, 2021)
Experience	Has higher expectations and places greater emphasis on the overall experience. Seeks interactive and fun brand experiences, with a growing need for pleasure, knowledge and exploratory activities over time.	(Agarwal & Sahu, 2022; Caboni & Hagberg, 2019; Priporas et al., 2017; Rana et al., 2024)
Authenticity	Increased importance of authenticity: seeks uniqueness, expressing a unique point of view, a unique style and unusual hobbies, interests. Highly values brands that demonstrate authenticity.	(Ameen et al., 2023; Goldring & Azab, 2021a)
Exclusivity	Very high status consumption, with a preference for exclusivity.	(Eastman & Liu, 2012)
Packaging	High preference for high-quality, ecological packaging.	(Volfová et al., 2022)