

## Top Deal: The Digital-First Winery for the 21st Century



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### **The Problem**

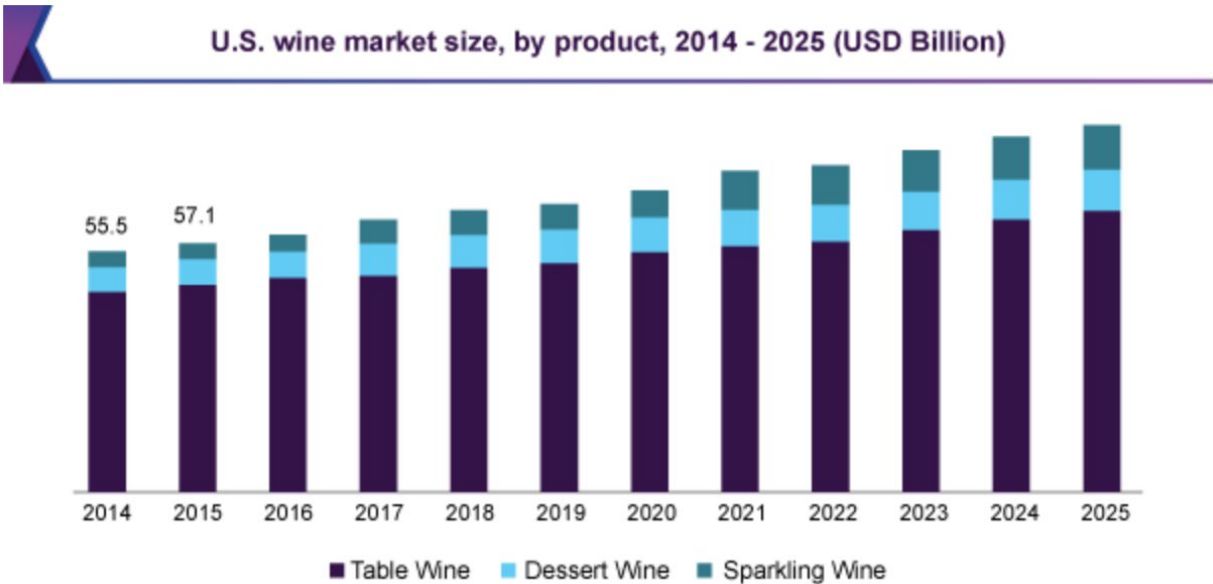
Direct-to-consumer or DTC models for consumer goods are steadily increasing in popularity in tandem with the rise of social media. This strategy engages with consumers in a more direct manner, appropriate for the digital age.

[“The number of manufacturers selling directly to consumers is expected to grow 71% this year to more than 40% of all manufacturers. And over a third of consumers report they bought directly from a brand manufacturer’s web site last year.”](#)

However, traditional wineries are behind the curve with this approach, often leaving them out of touch with the millennial generation. As millennials and gen xers approach drinking age, the wine space needs to tailor to their values—transparency and convenience.

### The Solution

Winc is creating a winery for the 21st century. In doing so, the team aims to disrupt the [\\$60+ billion U.S. wine market](#). To date, Winc has produced 664 wines from 78 grape varieties, and 97 regions across 12 different countries. Summer Water Rosé, a highlight of the portfolio, has a combined \$10M in sales and has grown at over 1200% CAGR.



Currently, Winc operates both direct-to-consumer (DTC) and wholesale channels. Winc’s DTC channel features real-time customer feedback using first-party data to deliver tailored recommendations. The average cost of customer acquisition on the platform was \$48.10 in 2018.

With DTC proof-of-concept, Winc introduced brands into the broader wholesale market. Total wholesale revenue stands at \$17M since its launch and has grown at a 69% CAGR. Winc’s products live in 3,100+ locations, including Whole Foods, Vons, and Gelsons.

## The Team

CEO and Co-Founder, [Geoffrey McFarlane](#), previously founded Play Coed, a Sports Management Software which sold to LeagueApps. Afterwards, he served as Head of Operations at Banctek Solutions and later Co-owned Jet Partners Hospitality Group. He holds a degree in Real Estate from the University of Denver.

President, COO, and Co-Founder, [Brian Smith](#), served as a Wine Director at Clo Wine, and later founded Loca Linda Wines, which exited in 2017. He then founded Jules Smith, a design company still in operation. He holds a degree from the University of Vermont.

Director of Winemaking, [Ryan Zotovich](#), has prior experience as Cellar Master for Seasmoke Cellars, and General Manager, Partner, Winemaker, and Viticulturist for Zotovich Cellars.

## Growth Opportunities

Despite success in both DTC and wholesale channels, Winc remains scalable through a range of additional growth opportunities. Post raise, Winc plans to continue launching brands, explore various partnerships, scale DTC customer acquisition efforts, and expand wholesale efforts to larger US retails and eventually abroad.

Additionally, Winc has plans to strategically acquire a minimum of one brand per year. Finally, in 2020 Winc will launch a Saké product and eventually plans to roll out beer and other spirits.

## Why We Like It:

- 1. Proof-Of-Concept:** The Winc team has already demonstrated massive success to date in both DTC and wholesale channels; not to mention Summer Water Rosé alone has accounted for \$10M in sales. And DTC order value is steadily increasing. In fact, average order value went up 27% from 2015-2018. The Winc team has clearly identified a target market and successfully focused marketing to meet the niche demands of millennial and gen x drinkers and this traction is proof. This proof-of-concept will make plans for scaling, specifically wholesale

expansion and acquisition efforts easily achievable with additional funding for marketing initiatives.

2. **Experienced Team:** Not only do the founders have a deep understanding of the industry, both have extensive entrepreneurial experience, including a successful exit. Impressive traction thus far allowed for the hiring of seasoned Viticulturist, Ryan Zotovich.
3. **Scalable Growth Opportunities:** Winc has identified several scaling strategies within near-immediate reach. These include exploring partnerships, scaling DTC acquisition efforts, expanding wholesale retail, and launching additional brands.
4. **Impressive Backing:** Winc has received funding from Bessemer Venture Partners, 500 Startups, Amplify, Guild, True Japan Fund, among others to account for \$45M raised to date. These are some of the biggest names in VC and speaks to the credibility and high performance of the management team. After closing on several million in a recent round from these notable VCs, the team has decided to enable its own customers to invest and be a part of the continued growth of the organization. To be clear, this is an opportunity to invest in a deal that has had even Silicon Valley VCs wanting in, which is notable not only for this deal, but as an indicator to the market that serious companies find value in opening the investing doors to a broader audience.
5. **Heavy Differentiation:** In 2018, customers spent [\\$3 billion in DTC wine shipments](#). DTC shipments are steadily increasing, making it an opportune time to enter the DTC wine market specifically. What continually differentiates Winc from other wineries, even those with DTC models, is its use of data and customer feedback to formulate tailored recommendations.

## The Rating: Top Deal

Winc Wines is a Top Deal. With its impressive early traction, consequent proof-of-concept, strong team and investors, and clearly outlined growth plans, Winc is well positioned for continued success. Provided that the team follows through on plans for scaling, a successful exit could be in the near future. Just last year 11 major winery transactions [totaled \\$700 million](#), highlighting recent, significant movement in the space.

The Winc team has identified and capitalized on a market pain point and successfully marketed to a group that was previously untargeted. With clear proof-of-concept, new products are positioned to thrive in the already established DTC and wholesale markets. Given the immense success of Winc's individual products, specifically Summer Water

Rosé, rolling out new products and tapping into the beer and hard liquor space could bring in significant additional revenue.

Finally, the productive use of data gathered through DTC sales further differentiates Winc from other DTC wineries.