

2023  
**Direct  
to Consumer**

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**Spirits Shipping  
Report**

SOVOS ShipCompliant

*American*  
**CRAFT SPIRITS**  
ASSOCIATION

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# Direct-to-Consumer Spirits Shipping in 2023

# 87%

Regular craft spirits drinkers who say they want to be able to legally purchase craft spirits via DtC shipping — up from 80% in 2022



# 82%



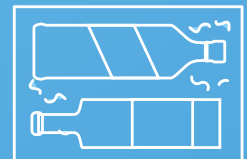
Percentage of regular craft spirits drinkers saying laws in the U.S. should be updated to make it legal to ship spirits direct-to-consumer in more states — similar to 79% in 2022

# 81%

Among regular craft spirits drinkers who would be likely to purchase spirits DtC, percentage who say if they could do so, they would make these purchases once a month or more — similar to 79% in 2022

# 8 + D.C.

Number of locales that permit interstate DtC spirits shipping



# 47 + D.C.

Number of locales that permit interstate DtC wine shipping

Source: August 2023 Sovos ShipCompliant survey conducted online by The Harris Poll among 598 regular craft spirits drinkers (U.S. adults ages 21+ who drink craft spirits once a month or more often).

# Introduction

Direct-to-consumer (DtC) shipping of spirits continues to grow in interest to stakeholders across the beverage alcohol landscape and remains a legislative priority for spirits industry trade organizations.

Consumers themselves are an important part of this landscape — representing the demand that thirsts to be met by increased permissions by the states for DtC spirits shipping.

To understand regular craft spirits drinkers' desire for DtC spirits shipping, as well as to gain insights on probable future behaviors surrounding it, Sovos ShipCompliant, in partnership with American Craft Spirits Association (ACSA), commissioned a consumer survey, conducted by The Harris Poll, to identify the DtC spirits shipping opportunity.



# The Regulatory State of DtC Spirits Shipping

Direct-to-consumer shipping involves selling spirits directly to consumers and fulfilling those orders through a third-party carrier (e.g., UPS or FedEx). Third-party logistics services, like fulfillment houses, can also be involved in helping producers store, pack and ship their products to consumers. DtC sales can be made in several ways, such as online, through a subscription club or to a customer who visits a tasting room in person. Ultimately, it is the act of *shipping* the spirits that makes these sales complicated and subject to unique regulations and procedures.

Each state in the U.S. is authorized to establish its own laws regarding how alcohol may be produced, sold and transported within its borders. Thus, distillers may only ship in or into a state if that state's laws allow for DtC shipping. As of this report (October 2023), only eight states and D.C. permit distillers for interstate shipment of spirits to their residents (see map below) — far fewer than craft spirits fans would prefer, as described in this report.

The locales that allow DtC spirits shipping require the shippers to abide by a specific set of laws and regulations. These generally (but not always) include getting licensed and paying taxes on shipments. Sovos ShipCompliant tracks these and other DtC spirits interstate shipping compliance rules online; [visit this page](#) for the most up-to-date regulatory information on DtC spirits shipping.

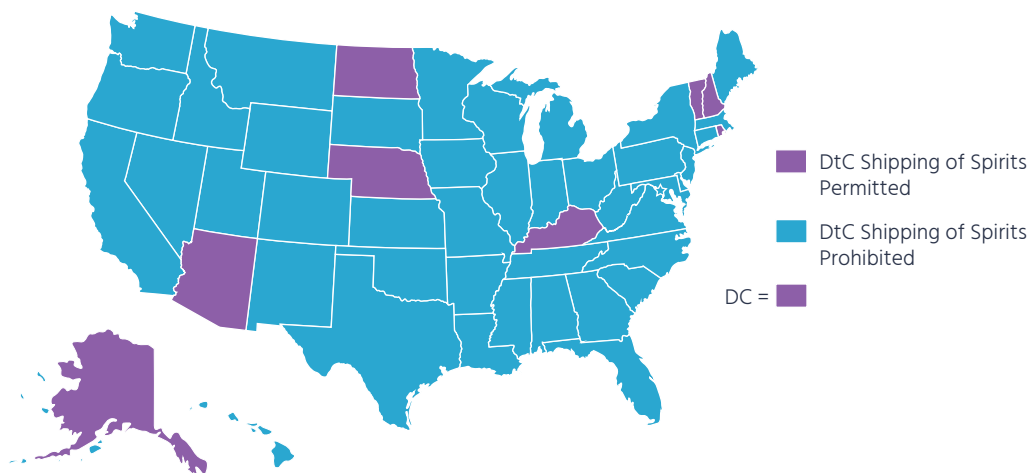


# Regulatory Roadblocks Limit DtC Spirits Shipping

While states' rules and regulations for DtC spirits shipping tend to rhyme, they don't necessarily repeat — they can vary significantly in their details. Any distiller interested in shipping into one of these states would be advised to understand the legal parameters for shipping spirits and act in accordance with the specific rules of each state.

As of October 2023, the only states that provide clear, statutory authority for distilleries to legally ship spirits in and into their borders are Alaska, Arizona, Kentucky, Nebraska, New Hampshire, North Dakota, Rhode Island and Vermont, as well as the District of Columbia.

Where Spirits Can Be Shipped Interstate



Map accurate as of October 2023

Specific state-level concerns for distilleries to keep in mind include the following:

- Rhode Island only permits DtC shipping of spirits when the consumer made the purchase while physically present at the distillery's licensed premises (no online sales).
- Vermont only permits DtC shipping of ready-to-drink cocktails, which it defines as spiritous beverages with an ABV no greater than 12% and served in containers no greater than 24 fluid ounces.
- D.C. does not require DtC shippers to get licensed before shipping or to pay D.C. taxes on their shipments.
- Arizona allows limited DtC spirits shipping to those that qualify as a craft distiller (producing less than 20,000 gallons annually).

# Recent Legislative Developments

Public interest in direct-to-consumer shipping of spirits continues to outpace lawmakers, as, despite several high-profile attempts, no state legislature managed to pass a bill to open their market in 2023. Still, there were several notable efforts by industry groups and consumers to reform laws and enable a viable, legal path for Dtc shipping of spirits, including the following.

- California has long been a central target for expanded Dtc spirits shipping, particularly as the state began allowing shipping by in-state distillers as a temporary measure during the covid pandemic. There have been several bills introduced in recent years to make that permission permanent — and constitutional, by expanding it to out-of-state distillers — but they have failed in the face of opposition by local interests. Instead, the state has been working on AB 1088, which was signed by the Governor in October, though it merely extends the “temporary” in-state-only shipping permissions until January 1, 2025; presumably this is to give the state more time to find a permanent solution.
- New York, Texas and Hawaii all introduced bills that would create new permission for Dtc spirits shipping. New York and Hawaii have been noticeably active in the last few years in trying to expand their Dtc shipping laws to include spirits, so it was pleasant news when a bill was introduced in Texas as well. However, these bills failed to progress in 2023 in all states (similar bills to expand Dtc beer shipping in these states, along with Illinois, also did not pass). While it is disappointing that none of these states managed to pass what should be a very popular law, this years’ efforts give hope for success next time around.
- Alaska’s new Dtc shipping law will take effect on January 1, 2024, replacing the largely unregulated Dtc program that is currently in place. In the new year, Dtc shippers will be required to be licensed and pay taxes in order to ship to the state. In addition, retailers will no longer be allowed to ship, and only distillers that produce less than 50,000 gallons per year will be eligible for a Dtc license.

It is not as if state legislatures ignored spirits issues this year — many states worked to establish new or clarified rules around the production, distribution and sale of ready-to-drink products, along with local delivery from off-premises retailers through third-party services. However, legislators remain leery of Dtc shipping of spirits in no small part because of the tales they hear from opponents, making it all the more important for proponents, consumers and distillers alike to make their voices heard in state legislatures.

Direct-to-consumer spirits shipping is in its infancy compared to interstate Dtc wine shipping — a **\$4 billion market** with 15+ years’ history and a much more expansive map of where shipping is permitted. The regulatory changes that are required for the Dtc spirits shipping channel to grow are successfully modeled by Dtc wine.



## A note about in-state only shipping

The previous sections of this report focus on where spirits can be DtC shipped to consumers from a distiller located anywhere in the U.S., but there are some states that extend this permission to only distillers located within their borders. Most of these cases began during the pandemic as a temporary means for distilleries to operate when in-person sales were impossible, and have since expired. However, some states, such as California, Oregon and Washington, continue to make DtC spirits shipping available but still only from local distillers. (California's in-state only DtC spirits shipping is now set to expire in 2025, pending action by the Governor.)

As this report documents, DtC shipping of spirits is popular and many may feel that it's fine if only in-state distillers have that right — at least someone is shipping. However, in-state only DtC shipping is unconstitutional as it violates the principle that states cannot discriminate against out-of-state interests in favor of in-state ones when it comes to most commerce. As the Supreme Court set out in the 2005 *Granholm v. Heald* case, that anti-discriminatory principle also applies in the context of suppliers shipping their products DtC; if a state is going to allow a local DtC shipping market of alcohol, it must make that market available nationally.

While *Granholm* only directly involved wineries, there is little reason why it should not apply to distilleries as well, as there is little difference in their regulatory standing. As such, while it is welcome that some states have made efforts to benefit their consumers and their distillers, such in-state only DtC spirits shipping laws are inherently unfair to distillers across the country — and would likely be deemed unconstitutional if the question came before the Supreme Court. Establishing clear, cogent and followable rules for DtC spirits shipping that are available to *all* distillers is a more fair and secure path forward.

### How to effect change in the legislative arena

The best way for distillers to support direct-to-consumer sales — where there isn't an active DtC spirits shipping bill in your state— is to work with your state guild to introduce a bill. Where there is a bill, distilleries support its passage by encouraging local consumers to contact their legislators and express their desires for the right to receive DtC shipments of spirits in order to access the national market.

Grassroots consumer action has had a substantive impact over the years in the growth of direct-to-consumer wine shipping permissions. [Ship My Spirits](#) is a grassroots coalition that aims to modernize the spirits marketplace to allow for direct-to-consumer shipping of distilled spirits, providing ways to get involved for distilleries and spirits drinkers alike.



# Consumer Preferences and Intent

Our aim in conducting the 2023 Dtc spirits shipping study was to understand regular craft spirit drinkers' behavior and desires when it comes to Dtc spirits shipping, as well as to gain insights on their attitudes and future behavior surrounding Dtc spirits shipping.

The results continue to show that current craft spirits shipping laws fall short, as they not only inhibit the distilleries selling the craft spirits but limit potential customers' ability to make purchases or try new brands that may not be available locally.

Furthermore, we see an increase in purchase intent for craft spirits via Dtc shipping, as well as purchasing from out-of-state distilleries, with sizable annual spend projections, if they were able to do so.

Results also suggest that distilleries could experience many benefits, including improved brand perception, free advertising and increased sales, if they were able to legally offer Dtc shipping of their spirits.



## DtC Spirits Shipping Restrictions: Majority Still Not Satisfied with Current Laws, Distilleries Still Losing Out on Potential Customers

DtC spirits shipping is currently legal in only 8 U.S. locales (7 states and D.C.), denying most regular craft spirit drinkers (defined as those who drink craft spirits once a month or more) access to this convenient purchasing method. An overwhelming majority of them (87%) say they want to be able to legally purchase craft spirits via direct-to-consumer shipping to their home — a marked increase from 80% in 2022.

Furthermore, most are still not satisfied with the inequity of the current laws, with about 4 in 5 regular craft spirits drinkers (82%, similar to 79% in 2022) saying the current spirits shipping laws in the U.S. should be updated to make it legal to ship spirits direct-to-consumer in more states than the 8 U.S. locales it is currently legal in.

Further supporting the need for updated DtC spirits shipping laws, there is increased desire among regular craft spirits drinkers to purchase craft spirits from markets outside of their local areas that is currently not being met. Three quarters of regular craft spirits drinkers (75%) say they have tried a craft spirit while traveling that they wish they could purchase; however, it is not available near their home.

Additionally, more than 4 in 5 regular craft spirits drinkers (81%) would be more likely to try new craft spirit brands if they were able to purchase the spirits via direct-to-consumer shipping to their home — an increase from 74% in 2022.

### Among regular craft spirits drinkers...



## Future of DtC Spirits Shipping is Promising: Increase in Future Purchase Intent and Purchasing From Out-Of-State Distilleries

Four in 5 regular craft spirits drinkers (80%) say they are likely to purchase craft spirits via DtC in the future — an increase from 73% in 2022 — with about a third (33%) saying they are very likely to do this.

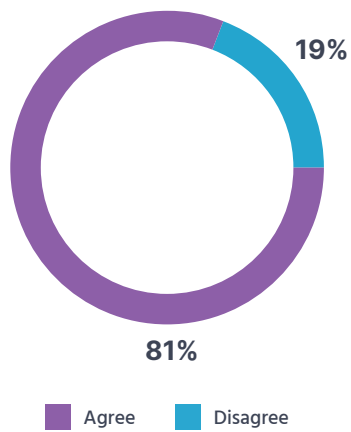
Furthermore, distilleries could see a significant boost in sales if shipping laws were expanded, with most regular craft spirits drinkers saying they would be more likely to try and purchase craft spirits from out-of-state distilleries if they could have it shipped directly to their home. Roughly 4 in 5 regular craft spirits drinkers say the ability to purchase craft spirits via DtC would make them more likely to try spirits from out-of-state distilleries (78%) and they would purchase craft spirits from out-of-state distilleries via DtC shipping, if they could do so (80%, up from 74% in 2022).



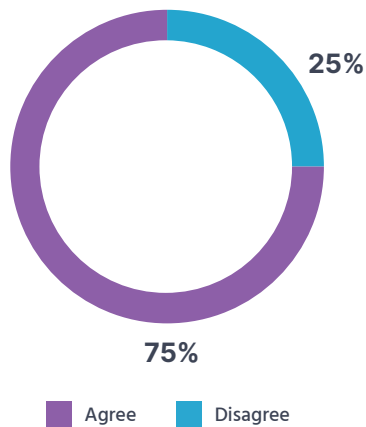
### Regular Craft Spirits Drinker Opinions

Percentages shown are among regular craft spirits drinkers

I would be more likely to try new craft spirits brands if I were able to purchase them via DTC shipping to my home



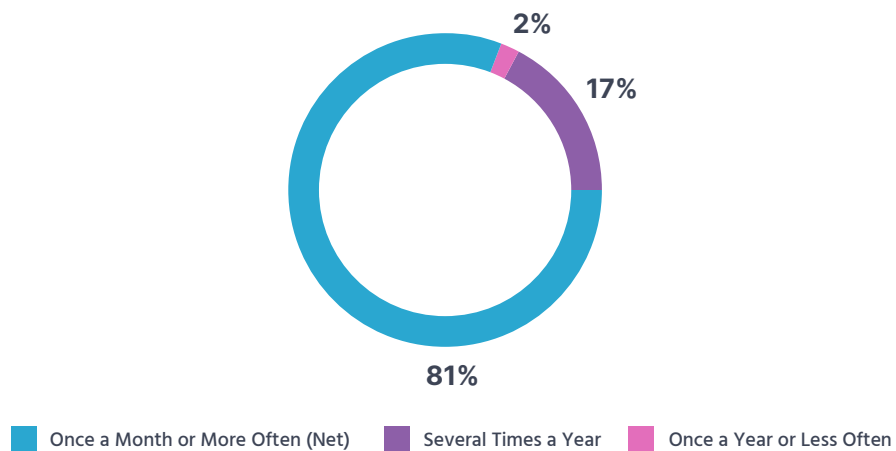
I have tried a craft spirit while traveling that I wish I could purchase, but it is not available near my home



## DtC Spirits Shipping Intentions: Majority Would Purchase Monthly, With Average Spend \$1,300+ Annually

With today's limited spirits shipping laws, a majority of Americans are unable to take advantage of this convenient purchasing method, meaning there could be quite a bit of money left on the table for distillers in direct revenue and for states in terms of tax revenue. Among regular craft spirits drinkers who say they are likely to purchase craft spirits via DtC, roughly 4 in 5 (81%) say if they could do so, they would make these purchases once a month or more often, and about 1 in 5 (17%) say they would do so weekly or more often.

Frequency of purchasing spirits via DtC shipping given the ability\*



\*among regular craft spirits drinkers who are likely to purchase craft spirits via DtC

When asked how much they would spend on DtC craft spirits purchases each month, more than 2 in 5 (43%) say they would spend \$100 or more, and just over 1 in 5 (22%) say they would spend \$200 or more. On average, regular craft spirits drinkers who are likely to purchase craft spirits via DtC would spend about \$114 each month, or about \$1,369 annually.



**Money on the table: 43% of regular craft spirits drinkers who are likely to purchase craft spirits DtC say they would spend \$100 or more a month.**

## Impacts for Distilleries that Offer DtC: Increased Positive Opinions, Recommendations and Sales Among the Benefits

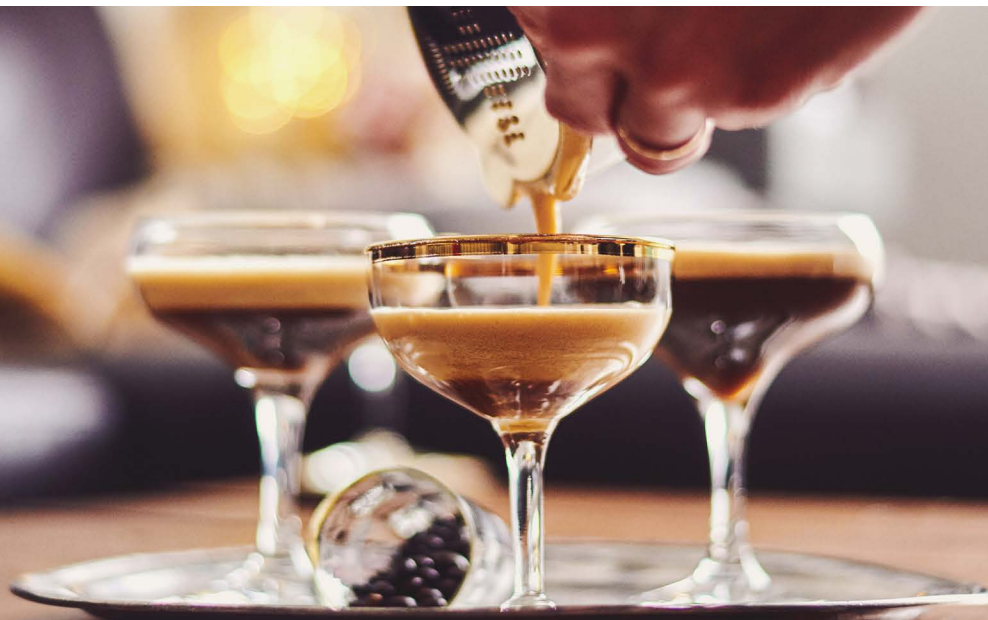
If distilleries offer DtC shipping of their products to customers they could reap the benefits in many ways, including increased positive brand association and word-of-mouth advertising. More than 4 in 5 regular craft spirits drinkers (86%) say they would be likely to think more positively of a distillery that offers a DtC purchasing option, and a similar proportion (84%) would be likely to recommend that distillery to friends and family. Furthermore, nearly three quarters of regular craft spirits drinkers (72%) say they would be likely to share or post about that distillery on social media — free advertising that has the potential to reach a wide audience.

Distilleries could also experience an influx in sales if they provide customers with the option for DtC shipping of their products. More than 4 in 5 regular craft spirit drinkers say they would be likely to try a new spirit from a distillery (86%) or purchase from a distillery more frequently (82%) if they offered DtC shipping of products. Additionally, three quarters (75%) say they would be likely to sign up for a spirits subscription club from a distillery — potentially creating a constant flow of revenue — if they offered DtC shipping.



### **SIGN ME UP!**

**75% of regular craft spirits drinkers say they'd be likely to sign up for a spirits subscription club if DtC shipping were available**

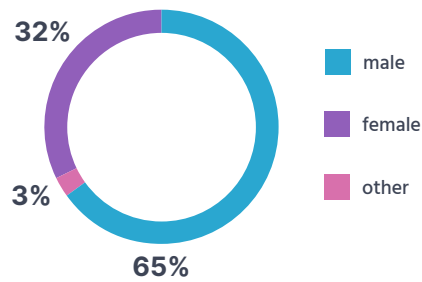


### DtC Craft Spirits Purchaser Profile

Regular craft spirits drinkers who have purchased craft spirits via DtC shipping are predominately:

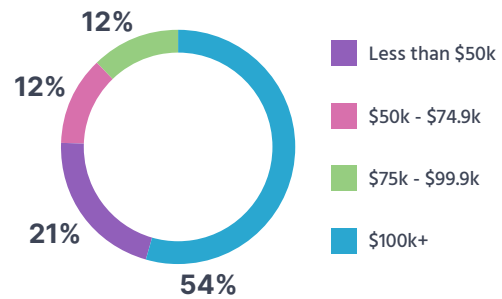
#### Male

Gender



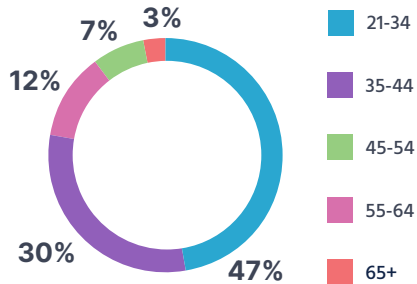
#### Those with an annual household income of \$100k or more

HHI



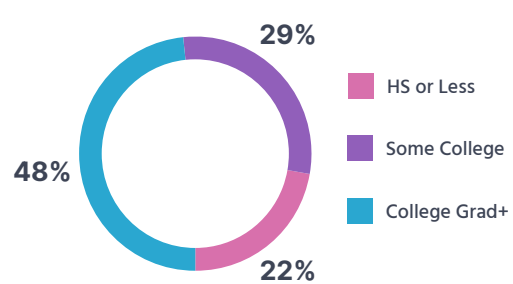
#### Between the ages of 21-34

Age



#### College Grads+

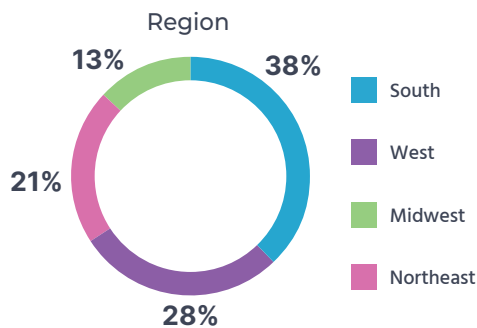
Education



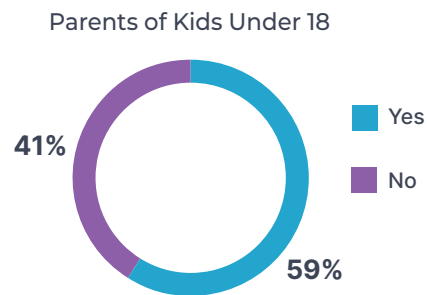
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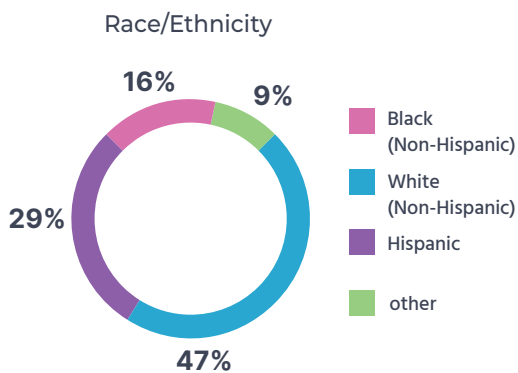
#### Residing in the South or West



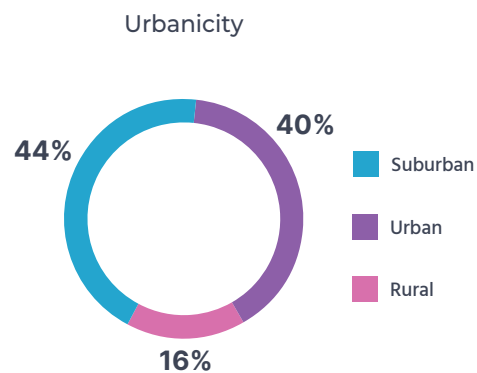
#### Parents of Minors



#### White (non-Hispanic)



#### Suburban or Urban



## Consumer Survey Methodology

This survey was conducted online within the United States by The Harris Poll on behalf of Sovos ShipCompliant from August 21-23, 2023 among 2,017 U.S. adults ages 21 and older, among whom 598 drink craft spirits/liquor at least once per month. The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 4.7 percentage points using a 95% confidence level. For complete survey methodology, including weighting variables and subgroup sample sizes, please contact [helloship@sovos.com](mailto:helloship@sovos.com).

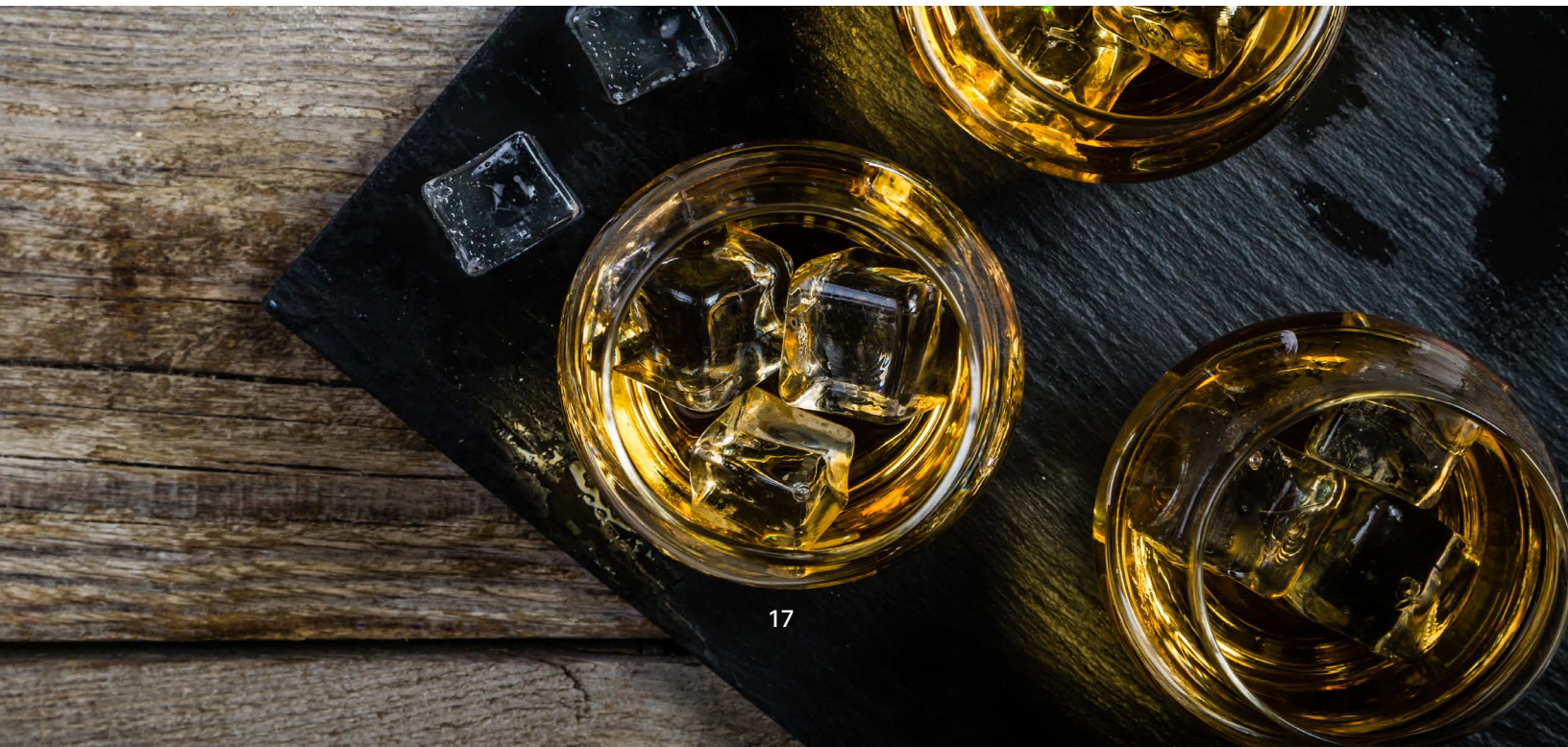


American Craft Spirits Association Perspective:

# Direct-to-Consumer Shipping: Consumers Support It, Distillers Need It, Everyone Wins With It

Distilled spirits, especially those from the nation's small craft spirits producers, are key components of a dynamic, rapidly evolving beverage alcohol marketplace. Direct-to-consumer shipping of spirits is a critical step in the evolution of this marketplace and as the data in this report shows, consumers overwhelmingly support it.

DtC shipping has become essential for craft spirits producers, which need to remain viable in what is an increasingly competitive and consolidated distilled spirits market. Currently there are more than 122,000 spirits brands in the U.S., and, over the past few years, TTB has approved between 13,000 and 16,000 new spirits brands. Concurrent with the surge in the number of spirits brands, the distribution tier continues to consolidate at an accelerated rate. According to the Shanken Impact Newsletter, the top 10 wine and spirits wholesalers account for over 75% of all sales nationwide, while the top two make up more than 50%. Direct-to-consumer shipping enables craft distillers to introduce their products, satisfy consumer demand and grow their businesses.



## Market Access Remains a Problem for Craft Spirits Producers, Requiring New Routes to Market

Changing consumer demands are at the center of the continued evolution of the beverage alcohol industry. Recent data suggests that while overall consumption of beverage alcohol remains relatively flat over the long term, the popularity of distilled spirits, especially premium spirits, continues to outpace that of wine and beer.

The shift in demand for premium spirits, in part, helps explain the increase in the number of craft distilleries nationwide, as illustrated in the 2022 Craft Spirits Data Project® (CSDP). CSDP reports that the number of craft spirits producers has grown by about 14% over the past five years. While craft spirits producers may be increasing in number and consumers may be buying more premium distilled spirits, the fact remains that craft spirits still represent only about 5% of total U.S. spirits volume and about 7% of total spirits retail dollars.

Direct-to-consumer shipping and the development of other new routes to market are crucial in the effort to improve craft spirits' stagnant share growth over the past few years.

Increasing DtC shipping for spirits will serve to enhance and, most importantly, not replace the traditional three-tier system. Up to 90% of all craft spirits sales occur in the home state of craft distillers — most through tasting room sales. Increasing sales through direct shipping will allow craft distillers to grow their consumer base and can help serve as a distribution on-ramp, showing distributor and retailer partners which products have gained momentum in the market. Distribution partners would then have hard data on which craft brands have the best chance of success as they prepare to scale up their market presence and bring them to the next level.

The wine category provides the best real-world case study on how DtC is beneficial for all in the value chain. Direct shipping still only accounts for about 10% of all wine sales, as wholesalers' revenue continues to increase — dispelling the myth that direct shipping will eliminate the three-tier system.

In addition to elevating suppliers, distributors and retailers, direct shipping also helps allied industries vital to the success of craft producers, including agriculture and tourism. Distilled spirits production is a prime example of value-based agriculture that often supports local farms in the production of distilled spirits.

What's more, the data presented in this report illustrates that tourists frequently visit a craft distillery when traveling. Therefore, allowing direct-to-consumer shipping not only boosts local agriculture, but also local and regional hospitality industries.

## Learn More

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

The **American Craft Spirits Association** is the only registered national nonprofit trade group representing the U.S. craft spirits industry. Members vote for the 15 democratically elected representatives who make up the Board of Directors, and this Board collectively works to govern the ACSA in a transparent, responsive manner and in accordance with ACSA bylaws. ACSA's mission is to elevate and advocate for the community of craft spirits producers. For more information, visit [AmericanCraftSpirits.org](https://AmericanCraftSpirits.org).



## PRESS CONTACTS

### **Amelia Wright, Alloy**

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

---

### **Alexandra S. Clough**

On behalf of  
American Craft Spirits Association  
alexandra@gatherpr.com  
516-428-7210

## SOVOS ShipCompliant

*American*  
**CRAFT SPIRITS**  
ASSOCIATION

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