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Josh Cellars Growing Twice as Fast in 2020, with Plenty of Room to Grow

Dear Client:

Deutsch Family Wine & Spirits' Josh Cellars brand finds itself towards the top of all the top-selling and fastest-growing wine brand lists we come across, from Nielsen to Drizly. It's the company's largest brand by dollars and second by volume (behind YellowTail) at about 3.4 million cases for the fiscal year ended March.

BY THE NUMBERS. The brand has benefited from the move to 'comfort' brands during the pandemic. "What's happened during COVID is that we were growing very rapidly prior to the impact of the pandemic, and we've seen that growth more than double since March," he says. "In fact, at the height of the shutdown...when virtually all the purchases were coming through retail, Josh was growing at almost four times its prior rate."

Even now, the brand is "still growing twice as fast as we were growing pre-COVID, showing consistent growth in the 40% range," according to Tom.

That double-digit growth is carried across the entire brand portfolio. Cabernet sauvignon is the brand's largest SKU, and was up 39% from April to September compared to the same period last year. Chardonnay, the second largest SKU, was up 44%, sauvignon blanc is growing at almost 80%, rose is up 34%, red blend is up 71%, merlot is up 57%, pinot noir is up 30% and prosecco is up 58%.

"That's unique to Josh," Deutsch president Tom Steffanci tells WSD.

"There's no other brand above \$10 that has a wide array of SKUs that are large, and all growing at similar rates."

WHAT'S DRIVING GROWTH? We had to ask: what's contributing to the brand's success? "It's funny, we're asked this a lot, and I think oftentimes people are wondering if there's some magical element to Josh that's so different," says Tom. "And I think it's a collection of things that probably won't sound that earth shattering," such as overall quality across varietals and an authentic story.

"We have an honest and genuine story, and we've been able to use advertising to tell that story in a way that really resonates with consumers," he says. "So, we have very honest advertising, and we're blessed now to be a large enough brand that we can use our platform to tell that story far and wide."

The story goes: "in 2005, [founder Joseph Carr] was tinkering around with a new wine with a friend and was reminded of how his dad used to tinker around the garage, rebuilding old stock cars with his friends. This memory inspired him to leave his career behind to pursue his dream: start his own wine company to make wines from California in honor of his dad, Josh," per the brand website. Josh Cellars officially launched in 2007.

STILL PLENTY OF RUNWAY TO GROW. Josh Cellars' founder actually built share and size in the East, very different from a lot of California brands, according to Tom. Part of that was just a function of Joseph's home being in upstate New York and then Massachusetts. "So those were markets that were built early, and are very highly developed. It's not a huge brand in California, but that's come on strong the last three years." Indeed, this year California edged out Florida as the brand's top market.

Other top markets for the brand include New York, Texas, Massachusetts and New Jersey.

When asked if there were any markets they're focusing on to strengthen the brand's presence, Tom joked "there are only 50 states that I wish we had a larger presence in," adding, "it's amazing to me how much opportunity remains."

"Some markets are more developed than others, and it's quite different varietal to varietal. But I don't think we have any market that's anywhere near saturation. I mean, we don't have any state that's not growing in double digits right now."

UPPING DIGITAL AD SPEND DURING COVID. Deutsch also "took the opportunity to increase our advertising spend" during COVID.

"What we saw was a huge uptick in consumer's use of digital and social media" in the very early days of the pandemic, he says, "so we had probably more of a captive audience, with consumers looking at these ads, and that has further fueled Josh's performance during this period."

They spent more money on Instagram, Facebook, Hulu, YouTube, "all kinds of various digital advertising platforms." In addition, they also increased ad spend against e-commerce platforms, including a "significant increase" with Drizly as well as Instacart, ReserveBar and Minibar.

And the extra ad dollars are paying off, as the company has seen a 20% increase in return on investment, according to Tom.

Yesterday, we published the first part of our interview with Deutsch Family Wine & Spirits president Tom Steffanci about Josh Cellars' impressive growth [see [WSD 11-04-2020](#)]. Today, we'll pick up where we left off as Tom discusses the Josh consumer, plans to build the reserve tier and why they haven't launched the brand in any alternative packaging.

THE JOSH CELLARS CONSUMER. "It's not the easiest thing to measure, but what we've seen is Josh is very highly developed with gen Xers," which is the largest Josh consumer cohort, says Tom. After gen Xers, it's baby boomers and older millennials.

"We see a really big opportunity for Josh to increase its audience with millennials," he says, "so we're talking a lot about how do we help a 25 to 35-year-old consumer discover Josh?" So far, prosecco has been a big pull for younger consumers. "That's been a way to reach that younger consumer, so there's definitely opportunity there, but a lot of this is going to be about Josh expanding wine consumption for that 25 to 35 year old who doesn't drink a lot of wine compared to my generation, the gen X group."

ON THE BOURBON BARREL-AGED WINE CATEGORY. The bourbon barrel-aged segment has become a meaningful segment in the last four years. Josh recently entered the segment with its bourbon barrel aged cabernet sauvignon, using barrels from Deutsch's Redemption bourbon. So far, entering the space has proven a smart move.

"We'll outgrow to just [using] Redemption [barrels], because it's growing so fast," says Tom. "It's been extremely well-received to the point that we've had some supply issues....demand has outstripped supply short-term." He says they'll catch up on supply in early 2021.

BUILDING THE RESERVE TIER. The new bourbon barrel cabernet is part of the brand's reserve tier, a more premium-priced segment they're looking to grow. The reserve tier also includes a Paso Robles cabernet and a North Coast cabernet, all retailing in the \$20 range.

The reserve tier gives them "the chance to spotlight some of the best pieces of the cabernet sauvignon that we make, and so we're excited about the reserve. It's growing very rapidly...and we're exploring other opportunities to expand that."

WHAT ABOUT ALTERNATIVE PACKAGING? We wondered if alternative packaging was on the horizon for the Josh Cellars brand. "We thought about it, looked at it," says Tom. "Would I like the idea of Josh being able to

show up at the pool in a way that's not breakable? I would like that opportunity, but only if I can be there in a way that's equal quality."

"Cans, for example, it's not just about materials, but drinking wine out of a can, and the way that product hits the palate, we just don't feel like from a quality standpoint we can replicate the quality of experience that we have today."

The other question issue with alternative packaging is whether it's something the Josh consumer even wants. "Is that really an unmet need, or is that need being better met by something like seltzers? So, it hasn't been right for Josh yet," says Tom, adding, "that doesn't mean we'll never do alternative packaging."

WSD BRIEFS:

WINEBOW DONATES TO CALIFORNIA WILDFIRE RELIEF EFFORTS.

Winebow has donated \$50,000 to support the wildfire relief efforts in Northern California. The donation will be divided between the Napa Valley Community Foundation and the Sonoma County Resilience Fund to help provide much needed aid to residents in the region, per a release.

PANERA BREAD FRANCHISE TESTS WINE AND BEER SALES.

Flynn Restaurant Group subsidiary, Pan American Group, is testing out beer and wine sales at five of its franchised Panera Bread stores in the Kansas City area, [per](#) Nation's Restaurant News. For now the beer and wine offerings are exclusive to the Pan American Group stores, although the idea of an evening program, complete with an alcohol menu, could expand to other Panera Bread franchises.

Until tomorrow,
Sarah

"The only courage that matters is the kind that gets you from one moment to the next." – Mignon McLaughlin

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Sell days this month last year: 21

This month ends on a: Mon.

This month last year ended on a: Fri.

YTD sell days Over/Under: 0

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