



Wine Intelligence

The On-Trade Report ' 05

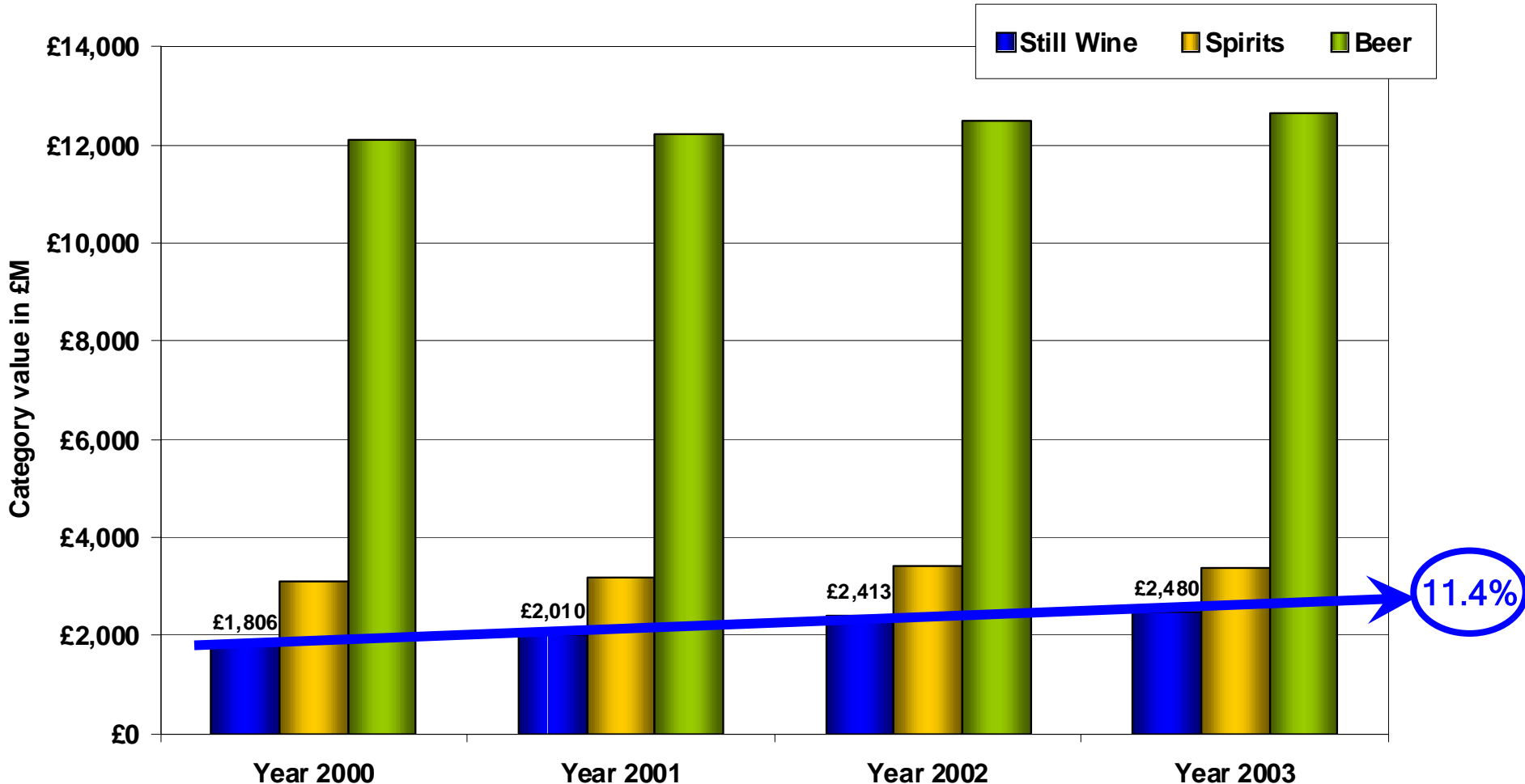
Issues and opportunities for the wine industry

The Wine Intelligence team
Brian Howard
Joanna Manzi
Nicola Engelbach
May 2005

Wine as an On-trade business: - was the growth category in drinks



GB On-trade by value (£M)



Wine as an On-trade business: - what's happening now?

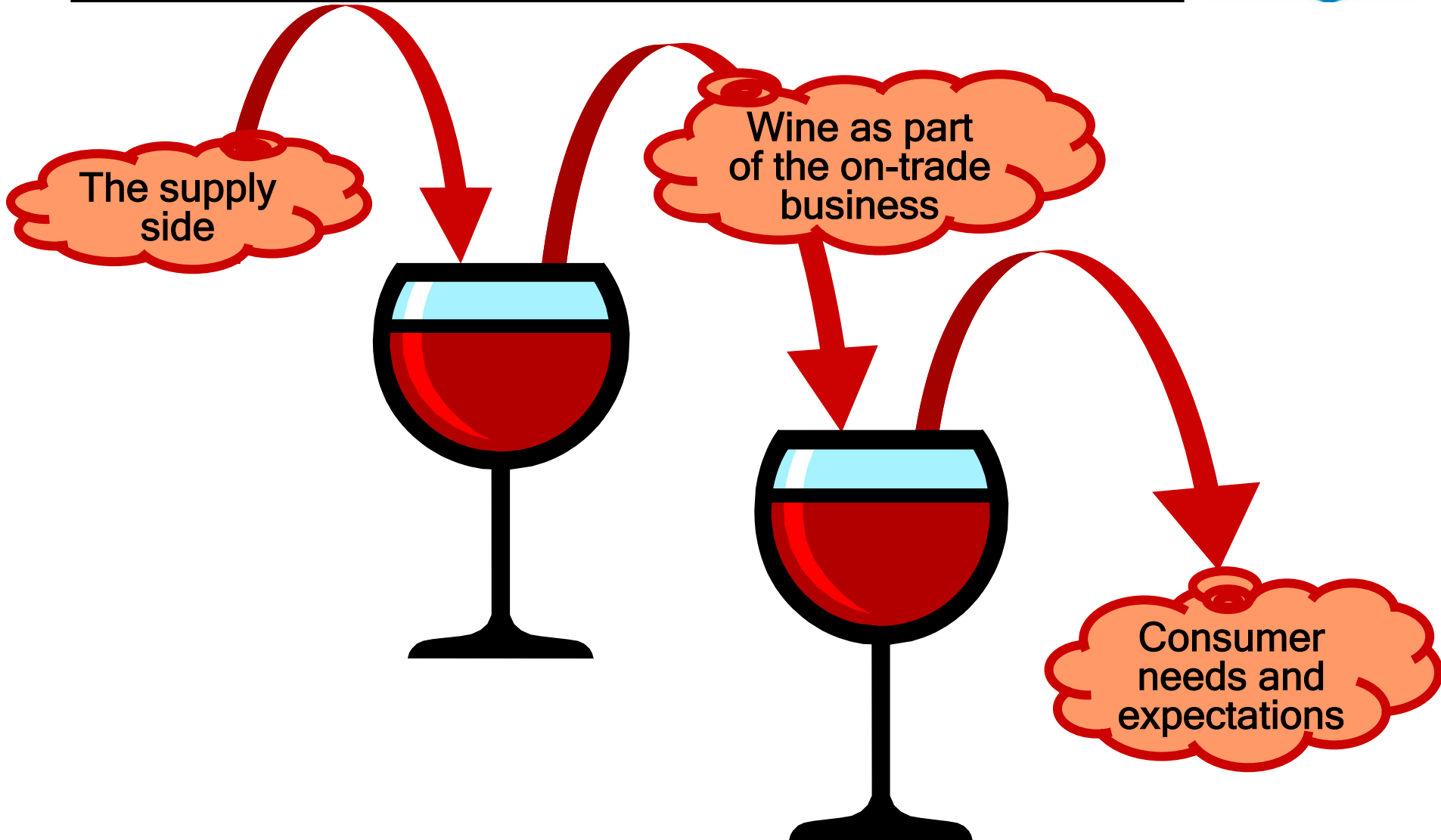


“ON-TRADE WINE SALES FALL 6%”

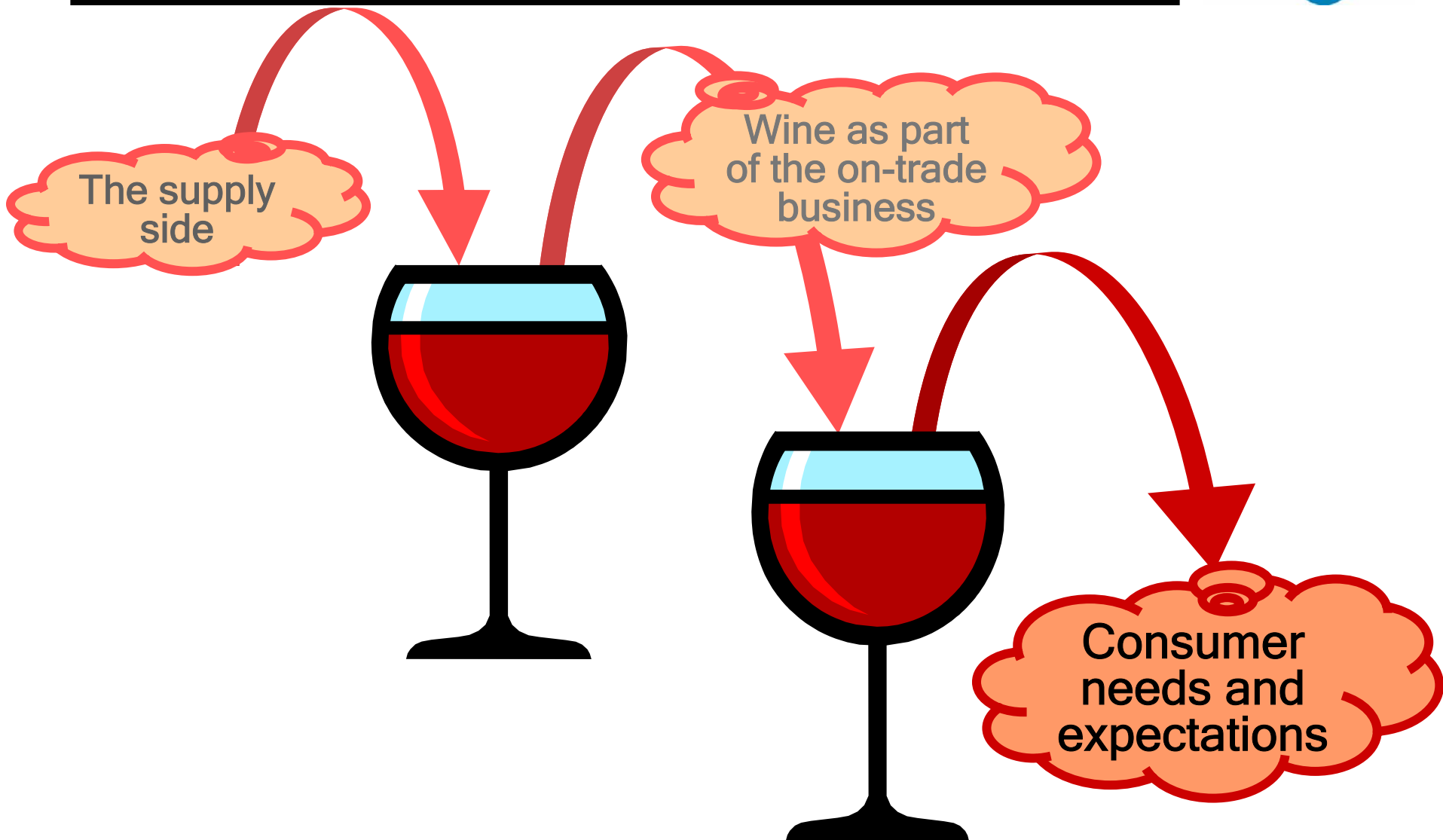
“After years of uninterrupted growth, the on-trade wine sector has slipped into decline. The latest figures from AC Nielsen (December/January bi-months) show that the volume of wine drunk in the UK’s pubs, bars, hotels and restaurants has fallen by 6% in the past year (MAT to the end of January)”

Source: Harpers 15th April 2005

Wine in the on-trade: - the three perspectives



Wine in the on-trade: - the three perspectives

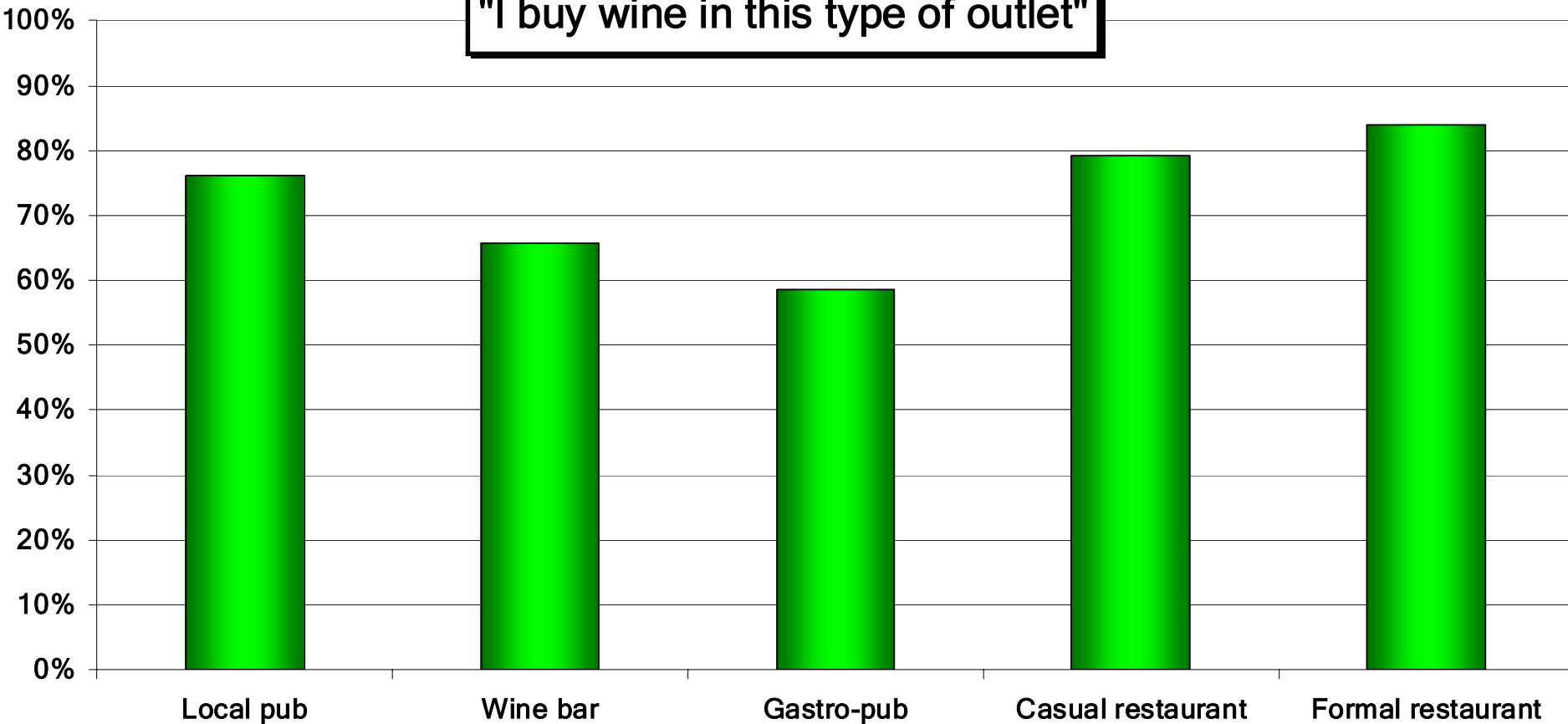


The consumer speaks: - many use all the on-trade channels



% of regular wine consumers who use ...

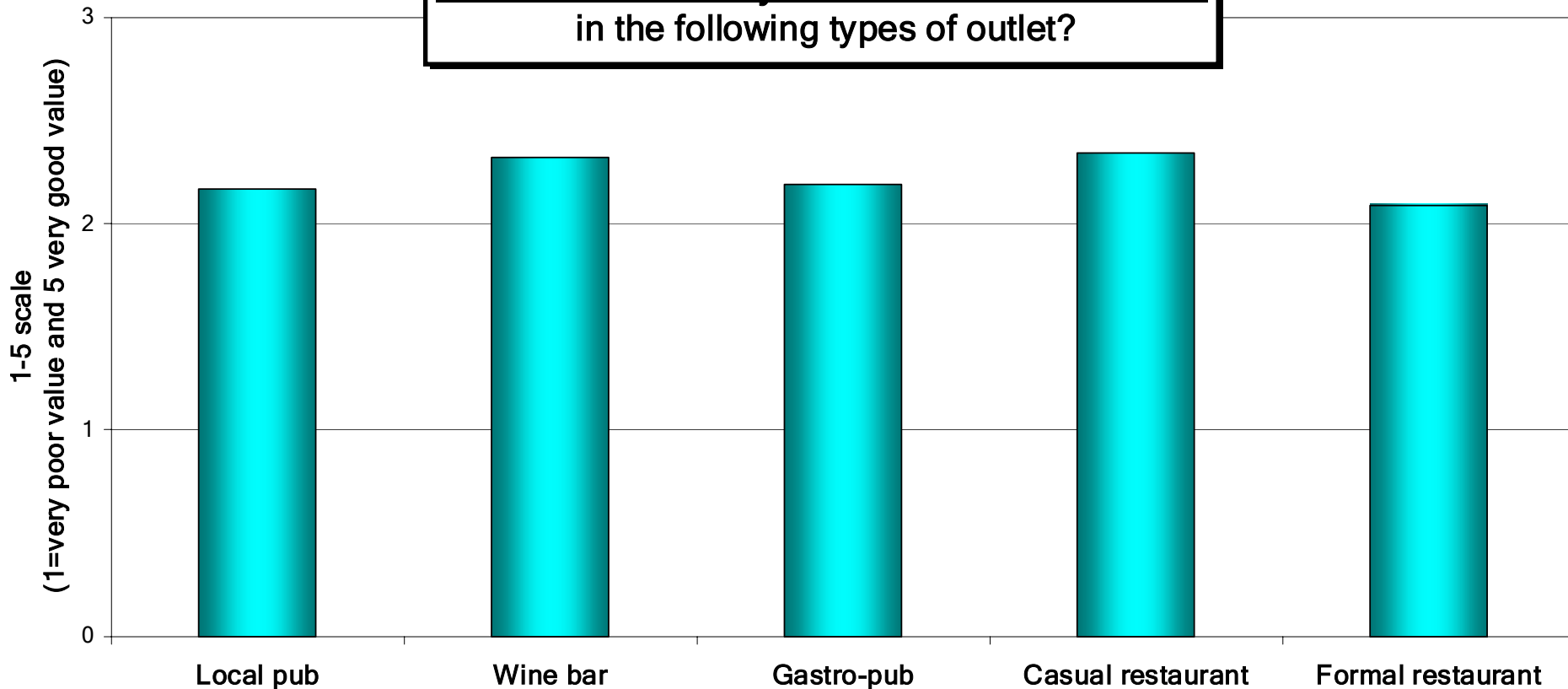
"I buy wine in this type of outlet"



The consumer speaks: but VFM rating: only 4→5 out of 10



How do you feel about:
"Value for money offered on wine lists"
in the following types of outlet?

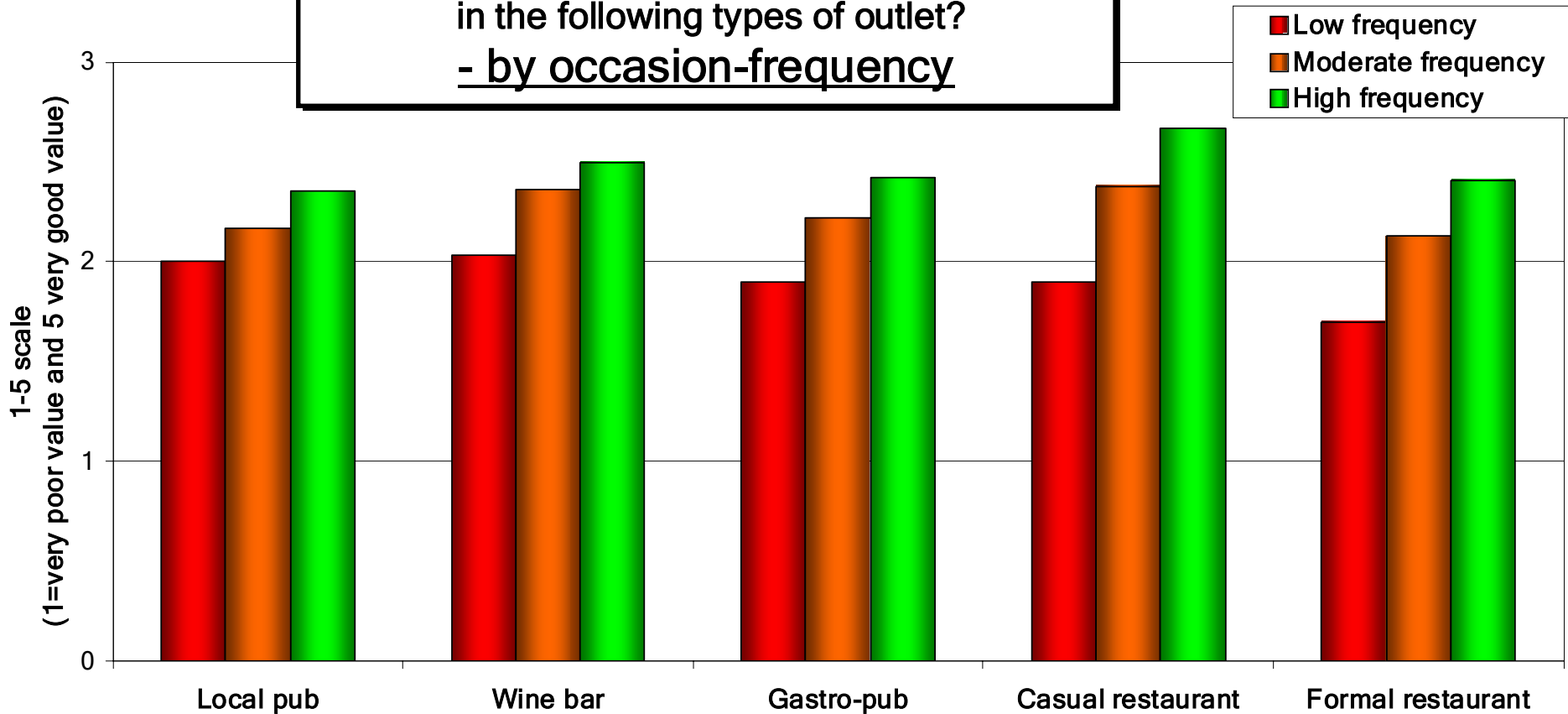


The consumer speaks:

- VFM rises with usage



How do you feel about:
"Value for money offered on wine lists"
in the following types of outlet?
- by occasion-frequency

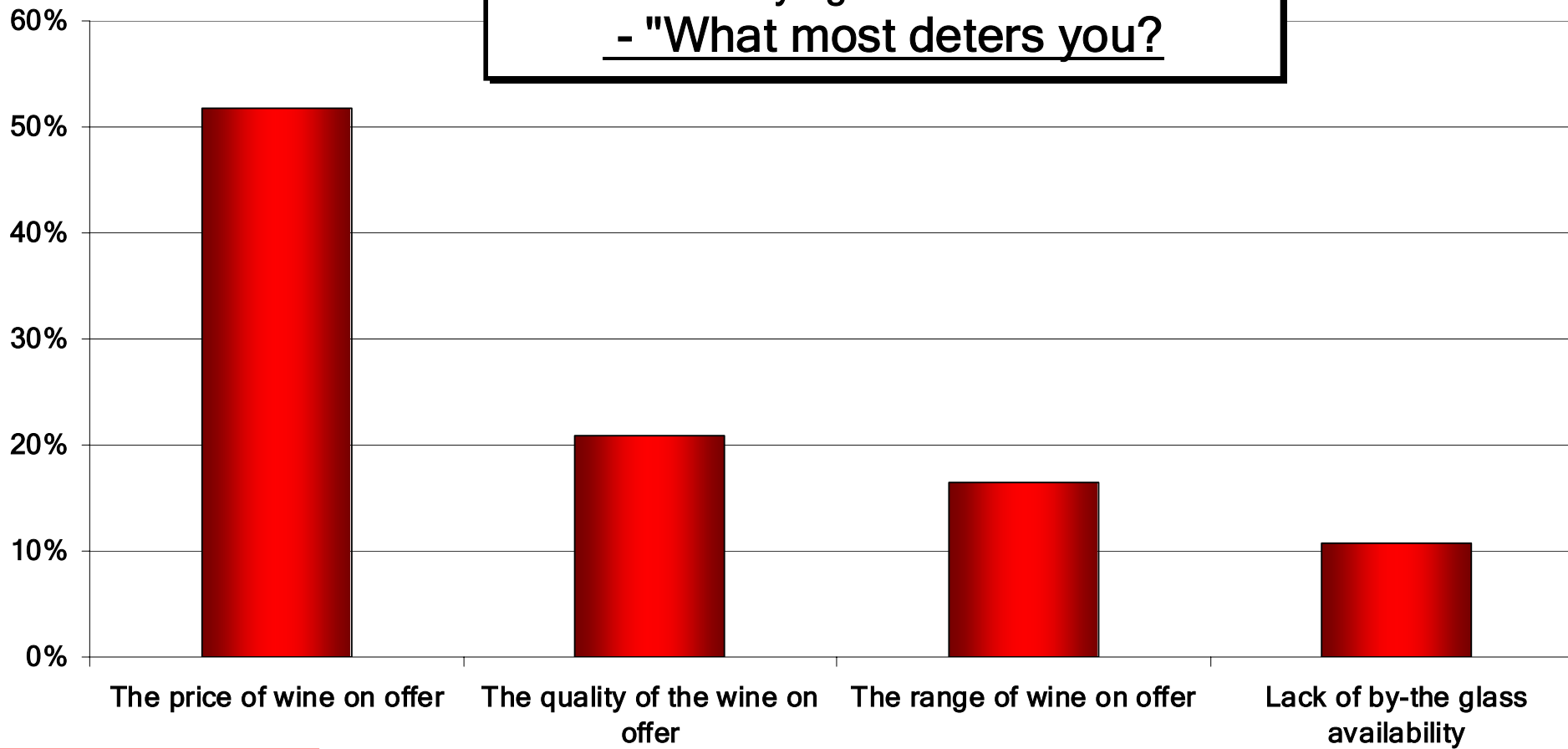


The consumer speaks: "Price": biggest of 4 main deterrents



Weight of deterrent

Deterrents to buying wine in on-trade outlets:
- "What most deters you?"



Source: Wine Intelligence
Consumer Access, Apr'05

The consumer speaks: ... but weight of deterrent varies



Source: Wine Intelligence
Consumer Access, Apr'05

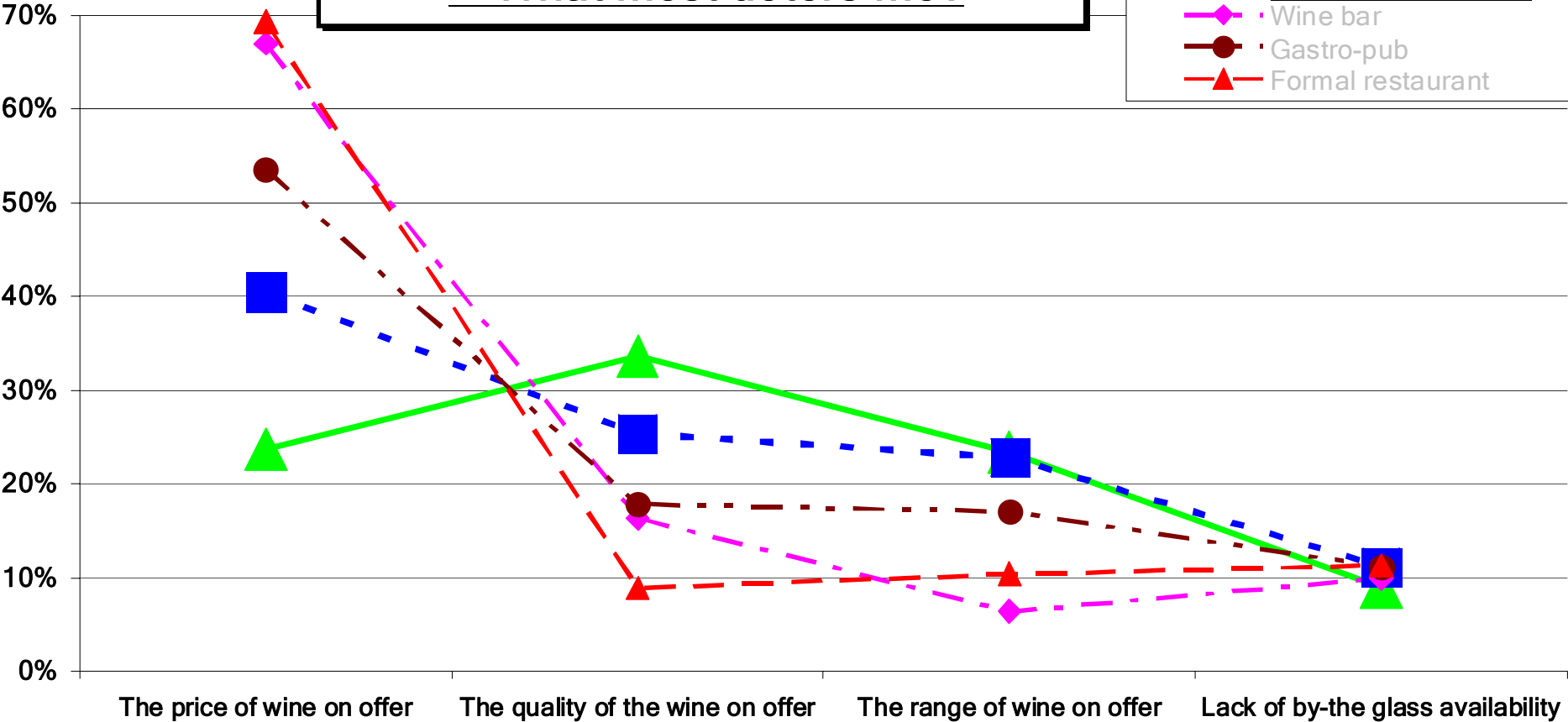
The consumer speaks: ... but weight of deterrent varies



Deterrents to buying wine in on-trade outlets:
- "What most deters me?"

Weight of deterrent

- ▲ Local pub
- Casual restaurant
- ◆ Wine bar
- Gastro-pub
- ▲ Formal restaurant

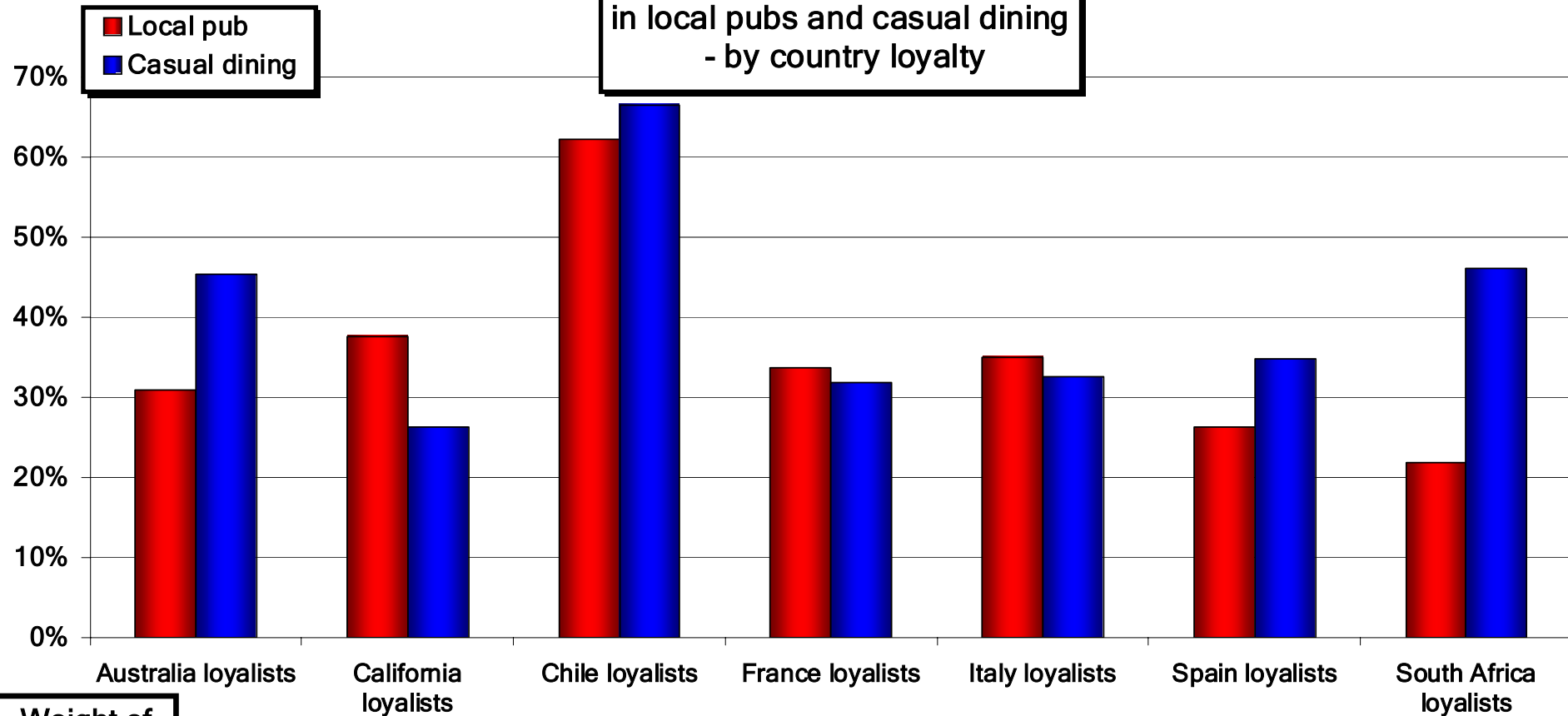


Source: Wine Intelligence Consumer Access, Apr'05

The consumer speaks: Price deterrent varies by Country



Price of wine on offer
as a deterrent to buying wine
in local pubs and casual dining
- by country loyalty



Weight of deterrent

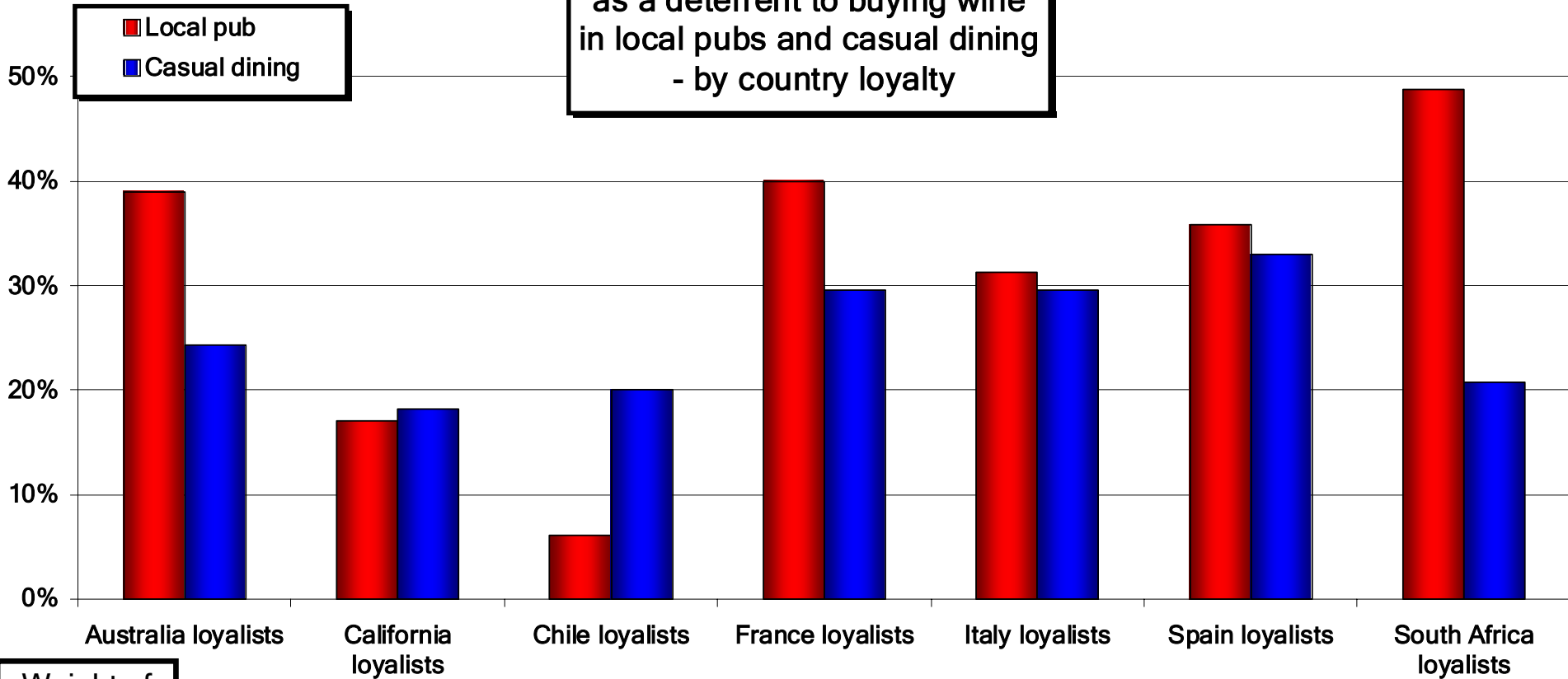
Source: Wine Intelligence
Consumer Access, Apr'05

Wine Intelligence © 2005

The consumer speaks: Quality as deterrent varies more



Quality of wine on offer
as a deterrent to buying wine
in local pubs and casual dining
- by country loyalty



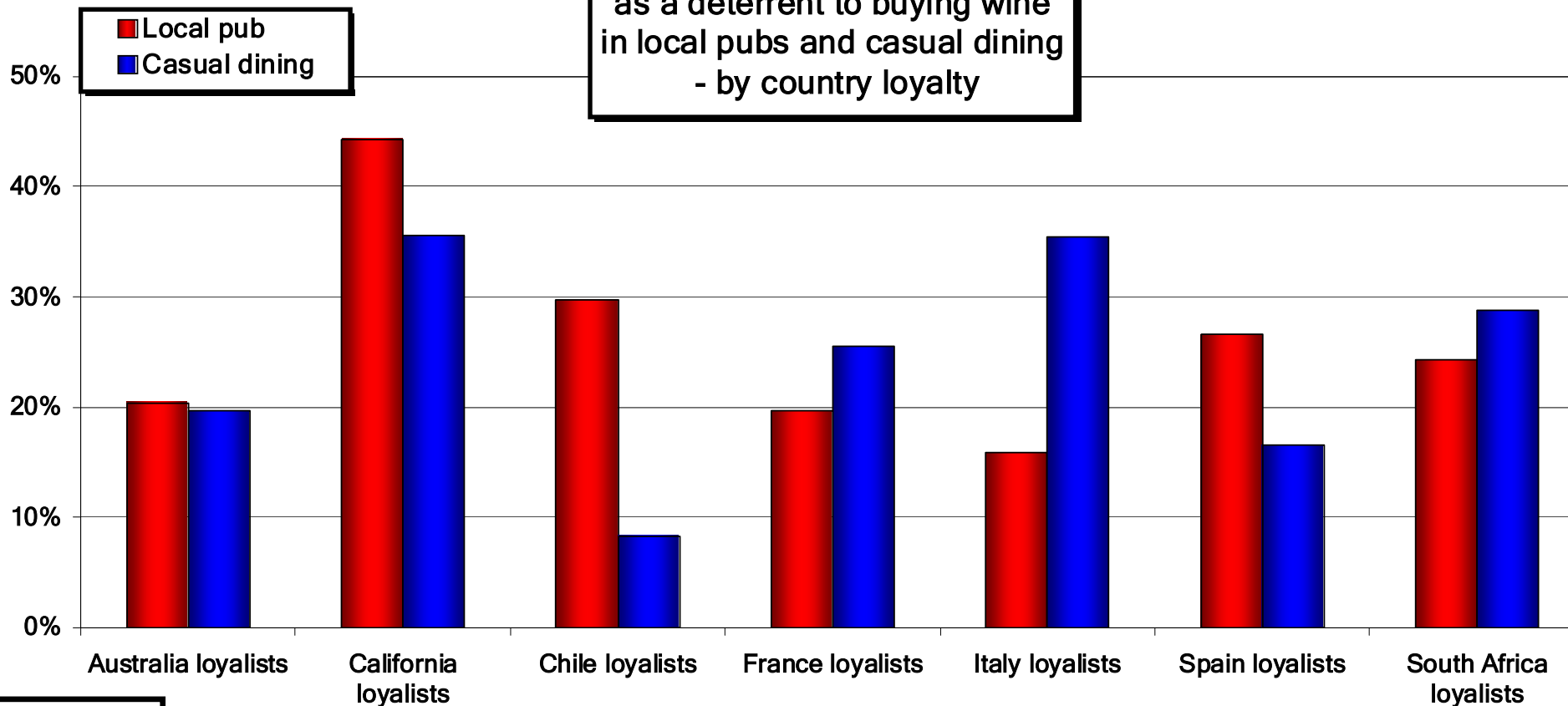
Weight of deterrent

Source: Wine Intelligence
Consumer Access, Apr'05

The consumer speaks: Range as deterrent varies widely



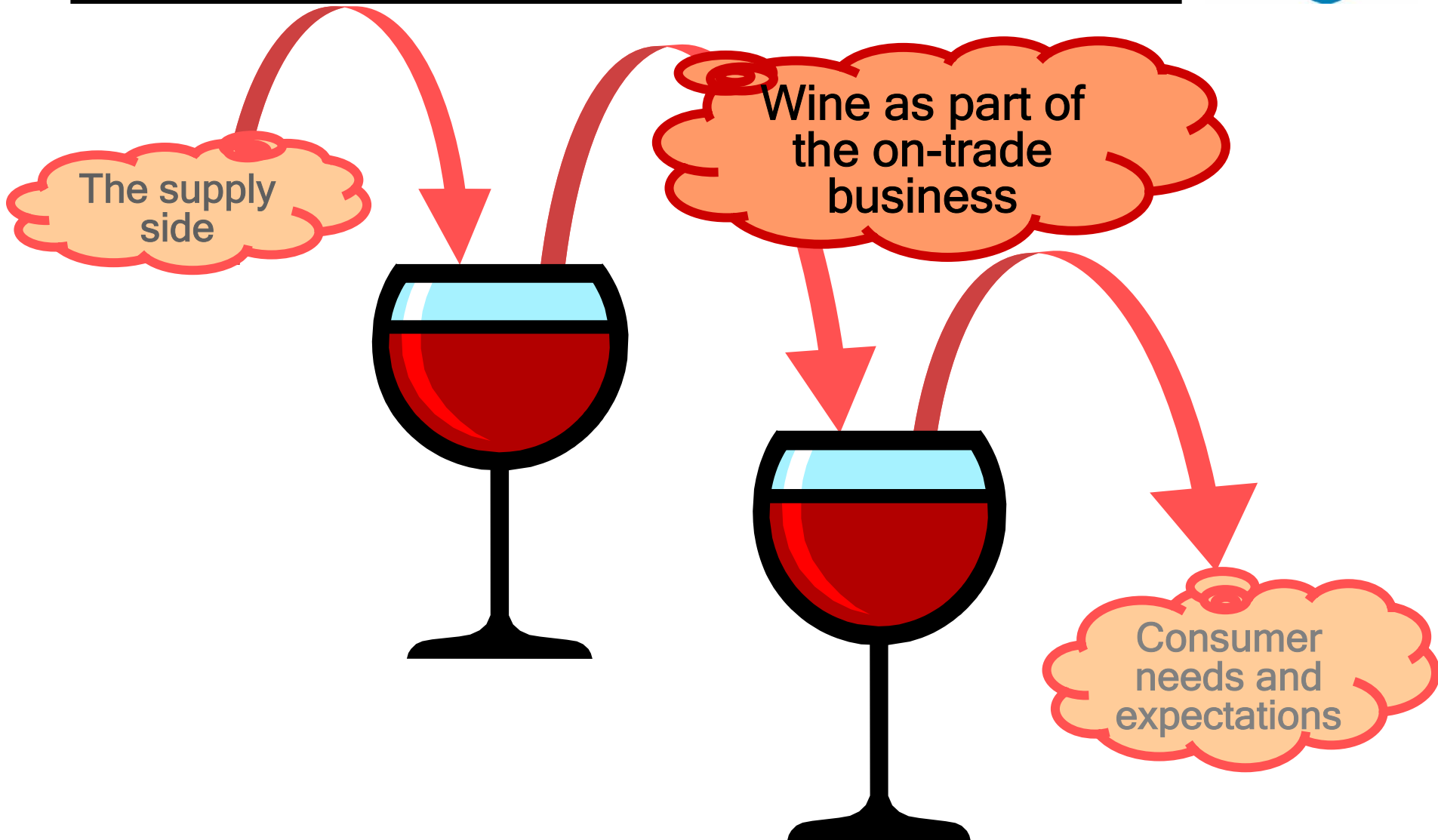
Range of wine on offer
as a deterrent to buying wine
in local pubs and casual dining
- by country loyalty



Weight of deterrent

Source: Wine Intelligence
Consumer Access, Apr'05

Wine in the on-trade: - the three perspectives



The On-trade speaks: - who did the talking?



- **Andy Bassadone**
Chief Executive, Signature Restaurants
- **Eileen Ginger**
Wine Buyer, drinks commercial, Whitbread Group Plc
- **Lawrence Hartley**
Co-owner, Brula restaurants
- **Gary Keller**
Buyer, Spirit Group
- **Peter Martin**
Founder, Martin Information Systems
- **Ronan Sayburn**
Chief Sommelier, Gordon Ramsay Holdings Ltd
- **Ian Waddington**
Wine and Spirits Manager, Conran Restaurants Ltd
- **Tom Welch**
Owner/operator, Gravy Restaurant

The On-trade speaks: - is the wine category growing?

- 😊 Yes - in value terms
- 😐 Not always - in volume terms; but no-one reports a decline

What's happening in value terms:

- ✓ Consumers are moving off the basic house wines
- ✓ Most pubco's reporting like-for-like growth in managed estates
- ✓ Growth across all sectors focused at the mid-price ranges: £12 - £18
- ✓ Consumers are receptive to higher quality, but not generating more quantity

So, an overall annual report:

- 😞 *Generally, we are not recruiting more wine consumers into the on-trade*
- 😊 *Exception: managed pubco's and casual dining - volume is growing*

The vox-pop: - is the wine category growing?



Healthy growth driven
by "value" offerings
Managed pubco

Total wines sales up 5-6%
by volume; more by value
Restaurant/pub group

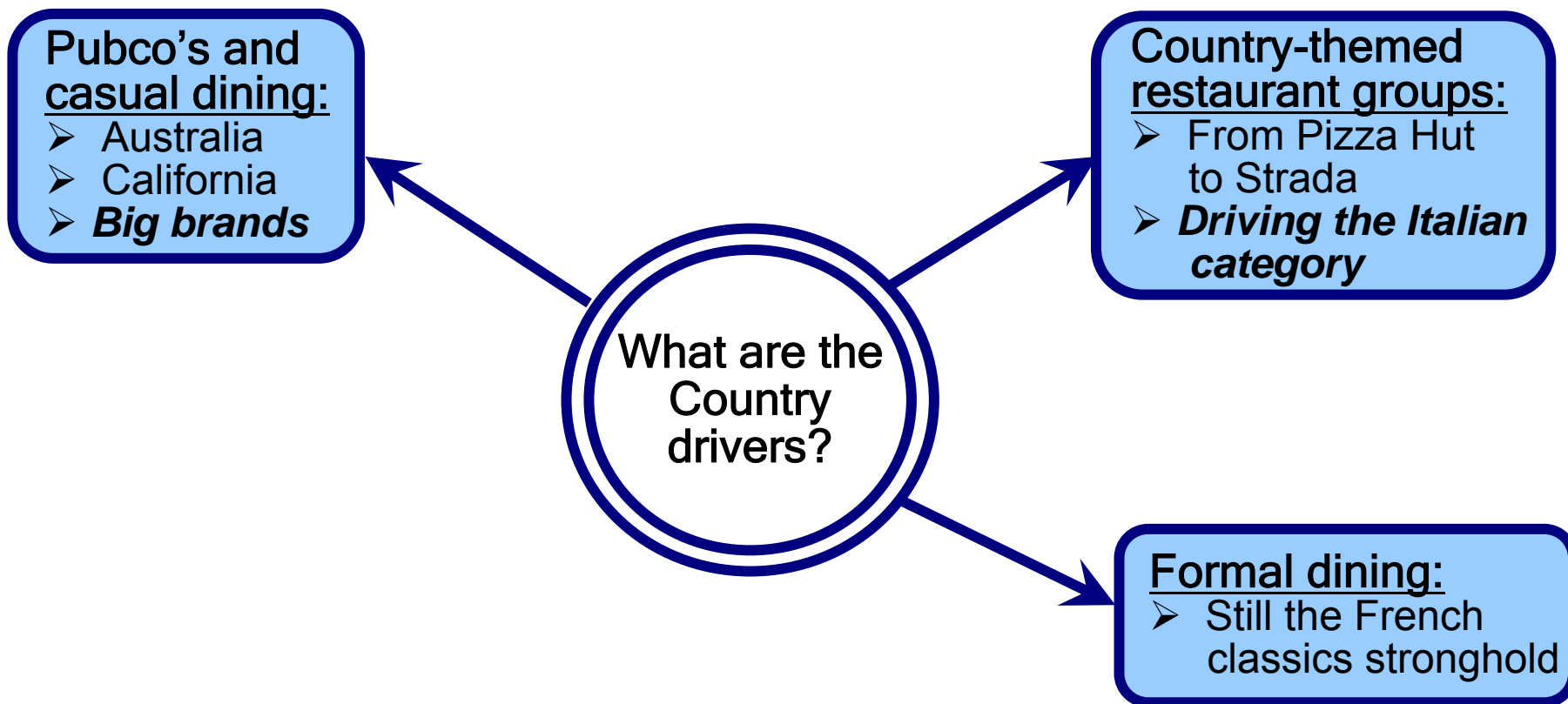
Top-end hasn't
changed much
Leading restaurant group

People maybe drinking a bit
less, but higher quality wine
French restaurant group

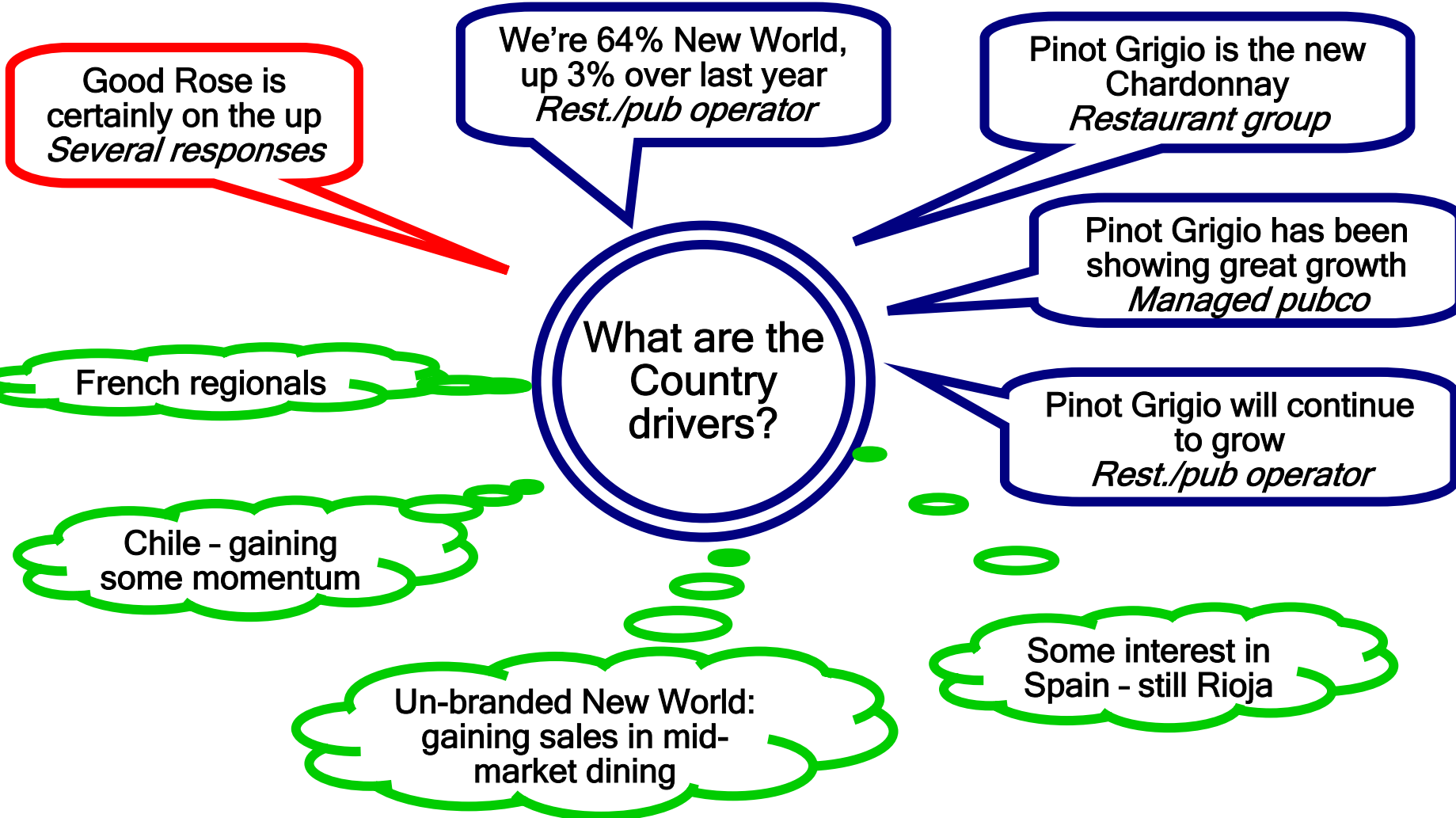
Definitely moved up in last 12 months
- but quality rather than quantity
Top-end restaurant group

The On-trade speaks:

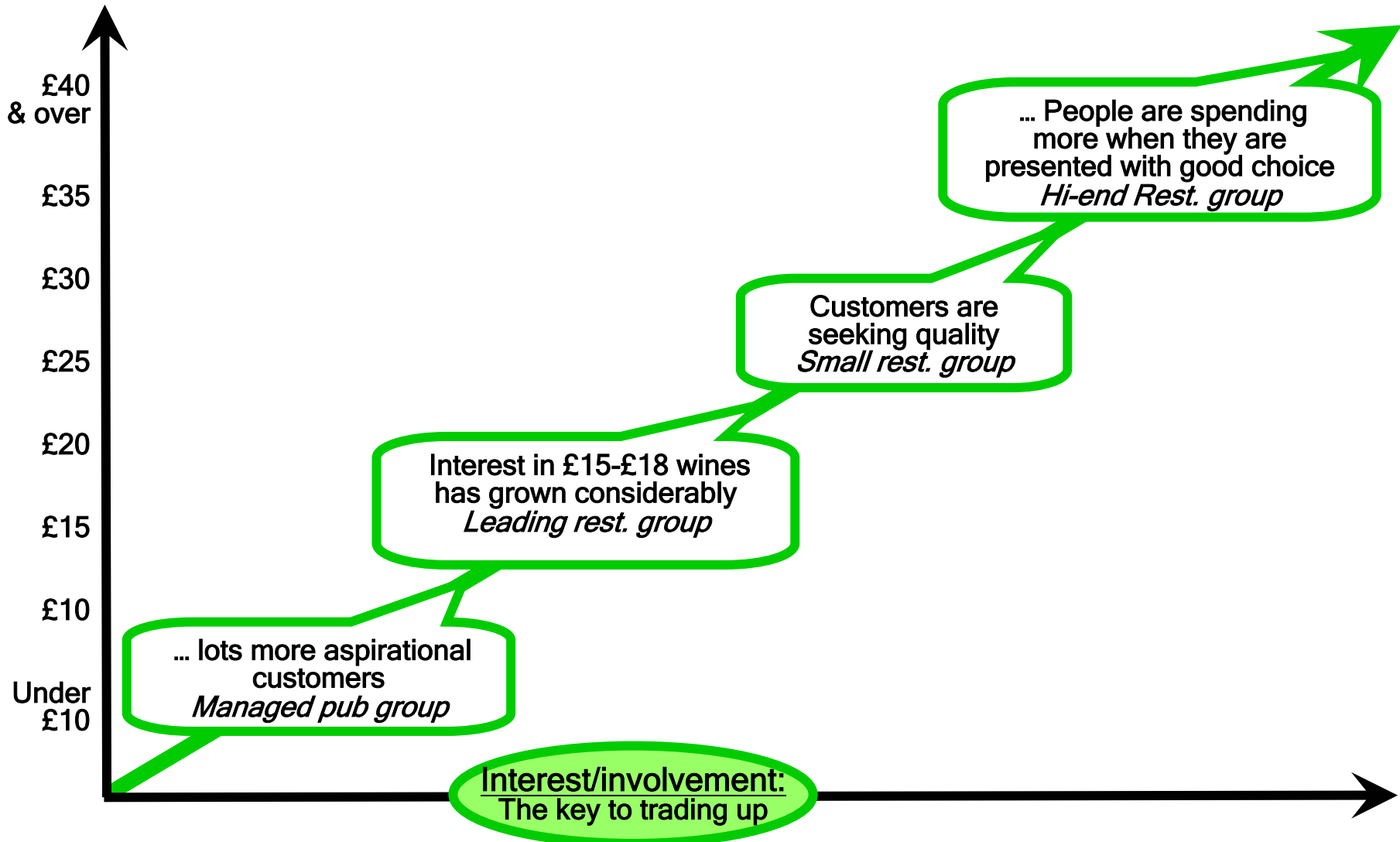
- Countries - what's on the radar?



The On-trade speaks: - what's hot, what's not?

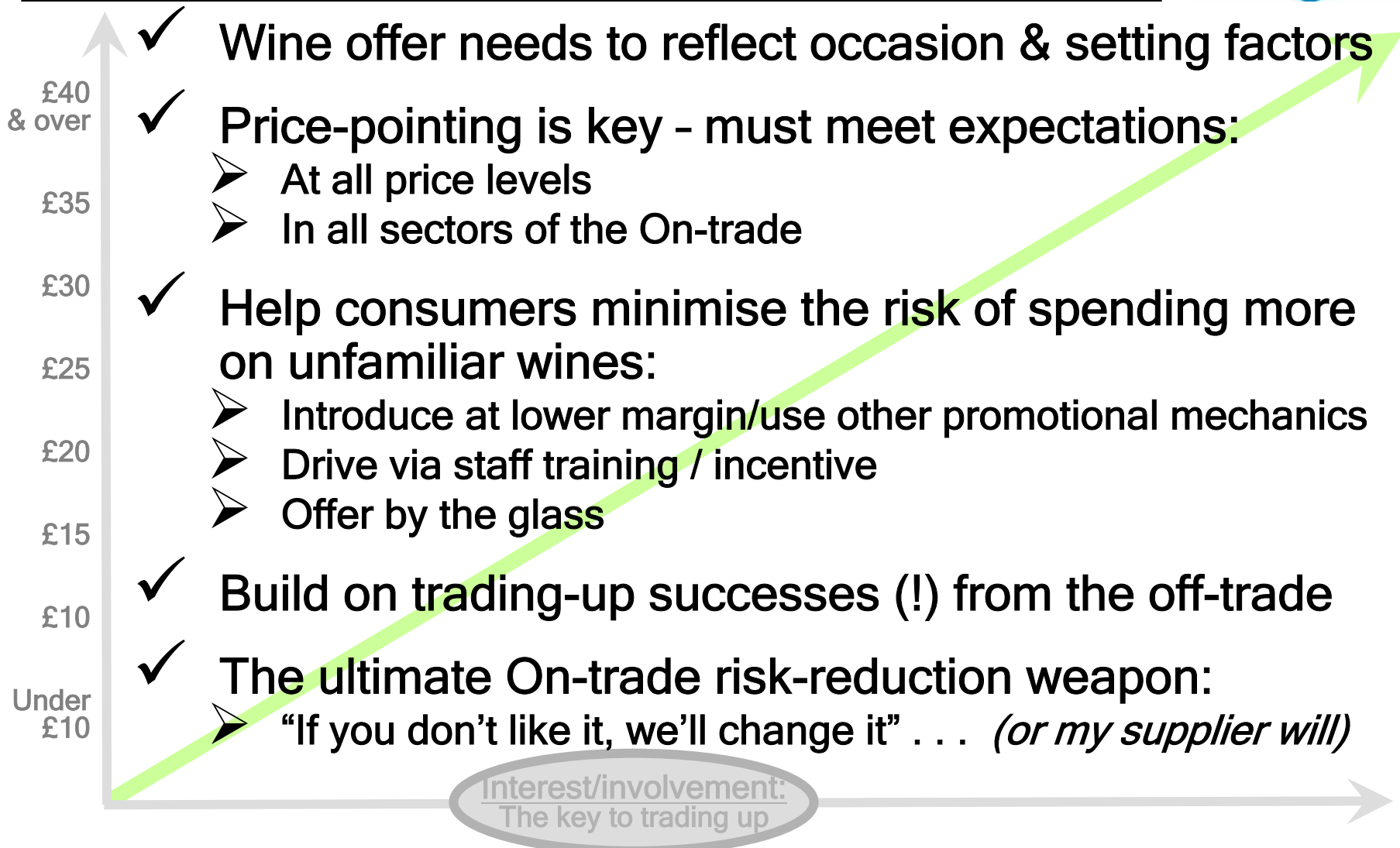


The vox-pop: - Can trading-up generate growth?

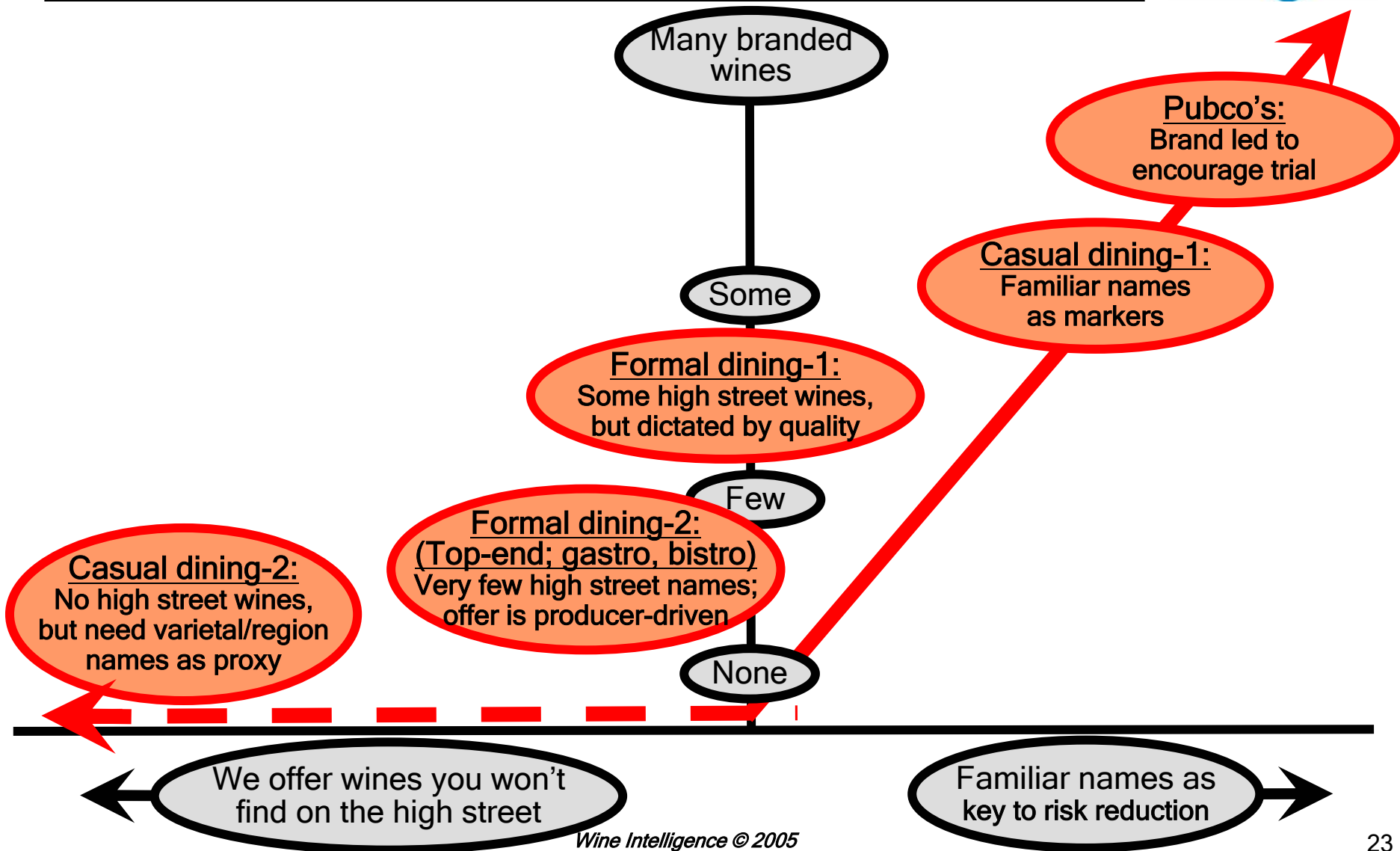


The On-trade speaks:

- How can we encourage trading up?



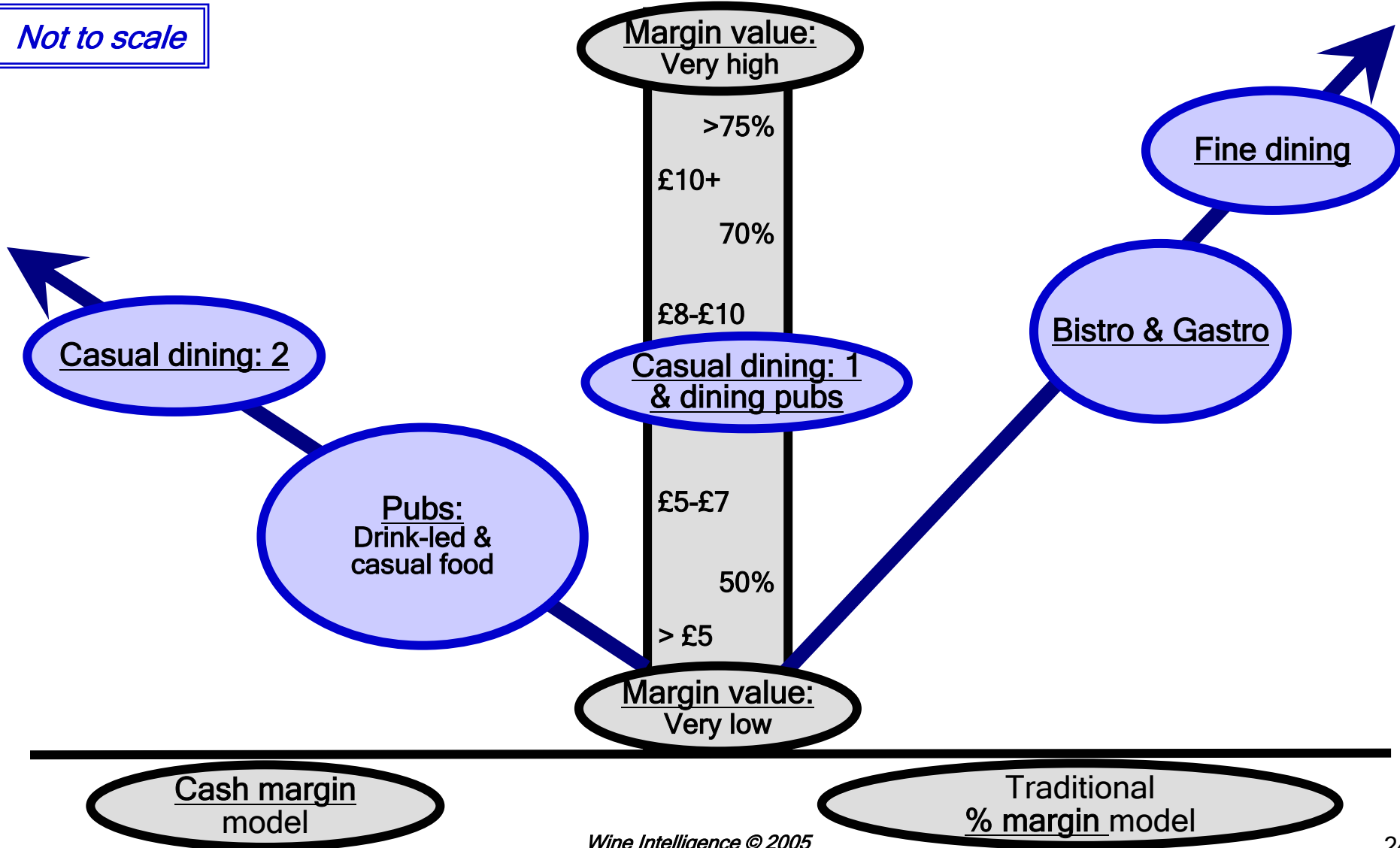
The On-trade speaks: - what about high street brands?



The On-trade speaks: - what about pricing and margins?



Not to scale



The On-trade speaks: - how many suppliers do you use?



Not to scale

of suppliers:

>50

40 - 50

30-40

20-30

15-20

10-15

5-10

2 - 5

1

Some pubco/
casual dining
operators

Several major
operators

Most on-trade
businesses

A few
businesses:
Mainly
independent
rest's

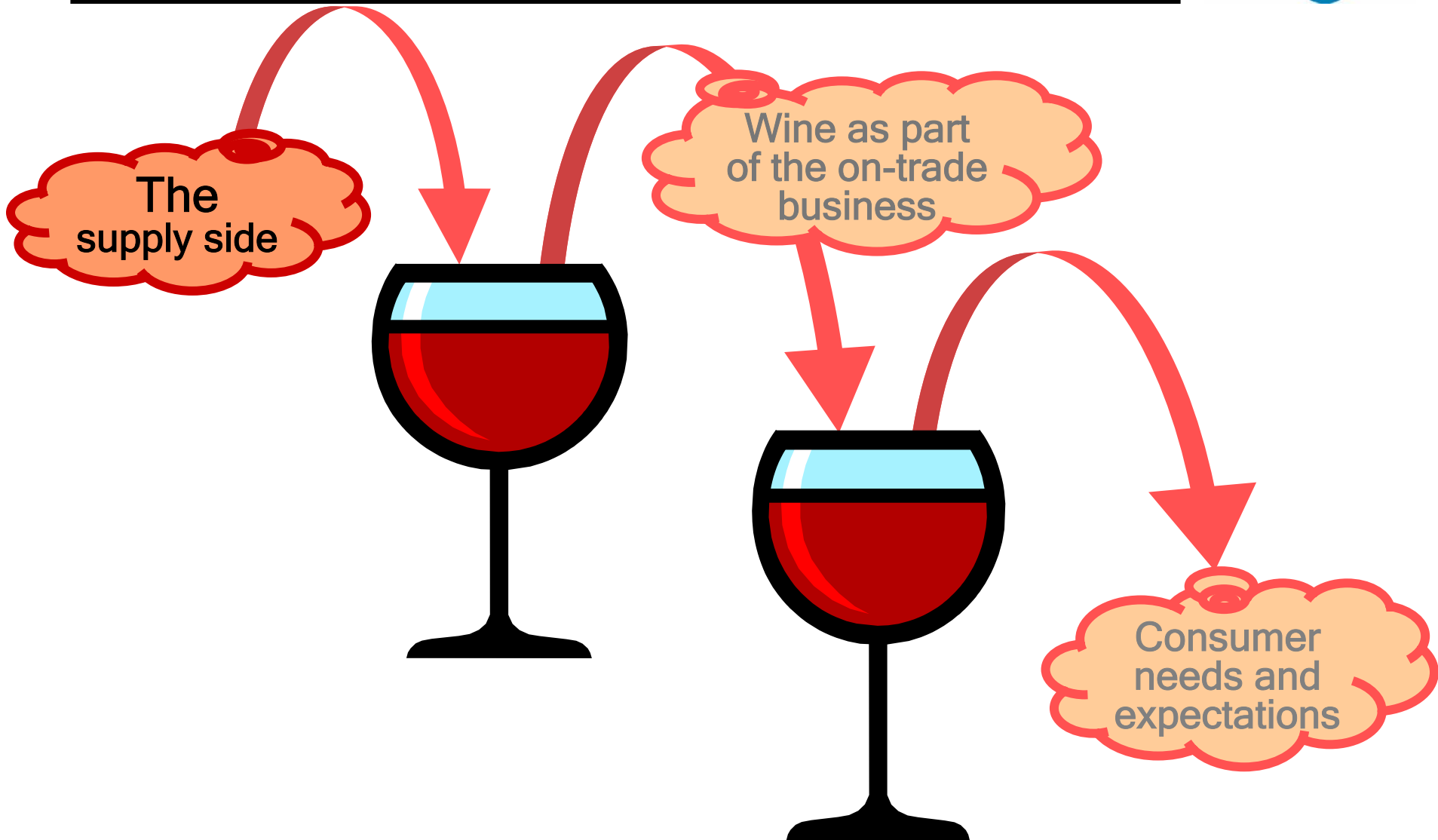
A few hi-end
fine dining

Lots of suppliers
= Operational
complexity

Lots of suppliers
= best choice
& offers

Outsource all aspects
of the wine category

Wine in the on-trade: - the three perspectives



The On-trade speaks: - the essential “must do better’s?”



- ✘ Too many repetitive wines

“Where are the new ideas?”

- ✘ Continuity - vintages; reserves

“You keep telling everyone vintage matters - OK, so tell us before you change it!”

- ✘ Champagne - high-street promo’s by leading brands are driving On-trade to find new sources

“Consumers like well-known Champagne names, but not at 5 to 6 times the high street offer”

The On-trade speaks: - so, what is the outlook?

- ✓ Wine business in the on-trade will continue to grow
 - Existing consumers adventurous, aspirational, interested
 - New consumers attracted by “value” offers
 - Pubco’s are expanding the food offer

- ✗ But the supply side is under pressure:
 - Clarity of channel intent and comparative pricing
 - Relationships and support
 - Quality and service

- ? And there will be winners and losers . . .

The On-trade Report '05

- to be a winner . . .



- ➡ Countries
 - ✓ Reach consumers effectively:
 - Communications and tasting programmes
 - Generate aspirational interest at POS
 - Names/labelling - accessible; recallable

- ➡ Brand owners & producers
 - ✓ Quality - must carrying on rising
 - ✓ Varietals and styles that draw in consumers
 - Pinot Grigio
 - Rose
 - ✓ Wines that sustain for by-the-glass business
 - ✓ Keep your supply-chain promises

- ➡ Agencies & distributors
 - ✓ Understand the business, the outlets, the consumer proposition
 - ✓ Be proactive in proposing what will delight consumers and work for on-trade business
 - ✓ Help the front-line staff be your salesmen
 - ✓ Pricing that retains Off-/On-trade equity of expectation

The On-trade Report '05 - and the winner will . . .



“Surprise us”