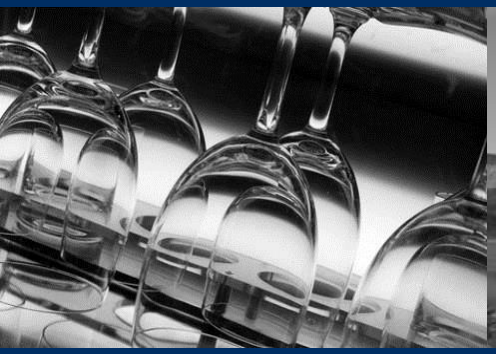
Report Brochure

JAPAN WINE MARKET LANDSCAPE REPORT

August 2012




REPORT PRICE: £2,500 or 5 Report Credits

Contents page

Introduction to the Japanese wine market

Younger drinkers and trade agreements driving transformation to exciting market

Japan is now the world's 23rd biggest wine market, having overtaken Austria and Ukraine in the last 12 months, despite the twin shocks of last year's earthquake and global economic uncertainty. For a market that has been relatively stagnant over the past decade, it is exciting times for Japan in the past three years, as volumes have grown by nearly 17%, with growth shared equally between imported and domestically-produced wine.

Over half of the Japanese population are wine drinkers, 47.4 million are regular wine drinkers – 22.5 million of whom consume wine on a weekly basis or more frequently. As much as 86% of the Japanese population drink wine on a regular basis (at least once per month).

Imported wines take two thirds of the market, with the remainder held by lower priced domestic products, which tend to be "made" wine rather than wine from fresh grapes. Importers are benefiting from the strengthening Japanese yen against the dollar and the euro, but the biggest story of the past three years is the impact of the Free Trade Agreement between Japan and Chile. Chilean wine sales in Japan have leapt since 2007, posting compound annual growth of 23%. Similar agreements with Australia, New Zealand and the European Union could potentially come into play.

Japanese wine drinkers use price as their dominant choice cue. Wine Intelligence data shows that 64% of regular wine drinkers don't mind what they drink so long as the price is right. This may reflect long-term economic uncertainty in the market; equally it could arise from the fact that price is one choice cue that all Japanese recognise, given that it is not in western script.

Within price ranges, country and region of origin are important factors when selecting wines for Japanese consumers. Almost half of regular wine drinkers use recommendations from friends and family when selecting wines showing the consumer's lack of confidence in their wine knowledge.

Red wine dominates the Japanese market, with Cabernet Sauvignon, Merlot and Pinot Noir the favoured varieties. Chardonnay remains the clear leader of the lesser used white wines. French wines continue to lead the imported wines league table however Italian, Chilean, US and Spanish wines have the more impressive growth rates in the past year. Sparkling wines have experienced a similar growth in Japan in the past year as elsewhere showing Japanese consumers are on trend and developing their tastes with the global market.

Younger drinkers driving market growth

Japanese wine drinkers prefer to drink their wine with food with 90% drinking wine in restaurants. This reflects the cultural tradition of eating food when drinking. Even the Japanese style pub, Izakaya, is truly a food based experience where small dishes are ordered to accompany drinks. Younger consumers are showing more flexibility in their wine drinking occasions and are more likely than their older counterparts to drink wine in bars/ pubs or clubs/ karaoke.

Younger drinkers are also becoming more involved with the wine market, widening the gulf between the older generation drinkers which we saw emerging last year. Wine plays a bigger role in their lives, they enjoy spending time making their choices and are more open-minded in their tastes. They are growing in confidence too, with the percentage that feel they have competence in the world of wine having doubled in the last year from 8 to 16%.

Recommendations from friends and family are more important to this age group than others but it is no longer the most important factor; they are also more likely to be swayed by promotions, and the packaging of the wine. The development of these younger drinkers could indicate a growing interest for young people in wine that may be hindered by the economic climate but is continuing to develop and evolve.

The younger generation have not only maintained its enthusiasm for new discoveries in the wine aisles but have built on it and matured in just 12 months. The wine industry as a whole is beginning to show signs of growth in new areas. Is it still possible to imagine, in 10 years or so, a Japanese wine market which is far less conservative than the one that exists today? The changes over just 12 months seem to indicate that it is, but we cannot predict the extent of the effects of changing economic climates on our young regular wine drinkers.

The continued increase in sales and development of young consumers in a mature wine market can give those already involved in the Japanese wine industry hope for future. As a result Wine Intelligence has taken the step of reclassifying the market from “Mature Established” (where growth is close to zero) to “High Growth Established”, where it joins other wine market stars such as the USA, Canada and Sweden.

Ali Darke
Project Executive
Wine Intelligence

August 2012

IWSR methodology

- Measures from the IWSR correspond to actual wine consumption figures. This means sales into the trade (on + off premise)
- The IWSR visits each market each year. Discussions are held with key local experts in the market including importers, producers, grey market operators, duty free operators, and supermarket/hypermarket buyers.
- All volume data is given in thousand 9 Litre Cases
- In the breakdown by country of origin, IWSR includes (depending on the market and the size of the category) the following two categories: 'Other' and 'International'
  They are defined as followed:
  - 'Other': category including wine blends (normally in bulk or bottled without specified country of origin) and wines from other countries with volumes too small to break out separately
  - 'International': Category including wine brands that have wines from various countries
- The IWSR includes the following types of wine in its definition of 'wine':

Definitions	
WINE =	
Still light wine +	Sub-categories
Sparkling (Champagne & other) +	
Fortified +	
Light apperitifs (vermouth…) +	
Other (rice wines...)	

Vinitrac® Japan May '12 methodology

- The data for this study was collected in May 2012
- Data was gathered via Wine Intelligence's Vinitrac® online survey:
  - 1,024 Japanese regular wine drinkers
- Respondents were screened to ensure that they drink wine at least once per month; drink red, white or rosé wine; and buy wine in the off-trade and/or in the on-trade
- Invalid respondents (those who sped through the survey or gave inconsistent answers to selected questions) were removed before analysis
- The 2012 data is representative of Japanese regular wine drinkers in terms of age and gender

Vinitrac® Methodology

SAMPLE SIZES

At least 500 respondents per survey; 1,000 in most countries, 2,000 in US

Regular adult wine drinkers (where 'regular' = drinks wine at least once per month)

Each Vinitrac® survey starts with questions to screen respondents:

- Adult drinking age within each country
- Permanent resident of the country being surveyed
- Drinks wine at least once per month
- Drinks at least red, white or rosé wine
- Buys wine in the off-premise and/or in the on-premise channels

… and rejects all respondents who do not fulfil these Vinitrac® criteria

Each sample is representative of the 'regular' wine drinking population in that market and is therefore valid; a sample size of at least 500 consumers ensures results are reliable. It's like a 'smaller' version of the wine drinking population at large

We comply with both MRS and ESOMAR codes and guidelines for market research practice

Vinitrac® - Frequently Asked Questions

WHY IS VINITRAC® NOT A PANEL?

- Panels are good for monitoring detailed purchase activity but require regular input from exactly the same complete group of respondents
- This requires more time from respondents, for which they are paid, and panels are therefore more heavily skewed towards home-based consumers, e.g. students and home-makers
- This group of a country's wine-drinking population does not fully represent the accurate weighted sample of adult regular wine drinkers on which Vinitrac® insights are based

HOW DOES VINITRAC® WORK?

- Invitations to participate in Vinitrac® are distributed to adult consumers in each market
- Consumers interested in a wine survey are directed to an URL address, which welcomes them to the online survey
- Wine Intelligence monitors incoming completed responses to build a sample representative of the wine drinking population of the target market
- When a representative sample of at least 1,000 (US: 2,000) is logged, the survey is closed

REPORT PRICE: £2,500 or 5 Report Credits

Format: 102 page PowerPoint (PDF)

Purchase online: www.wineintelligence.com/reports-shop/landscapes

Contact us directly: reports-shop@wineintelligence.com

If you have any questions, please contact your local Wine Intelligence office:

AVIGNON

Jean-Philippe Perrouty, Director, Wine Intelligence France| T +33 (0)486 408 417 | Email: jean-philippe@wineintelligence.com

BEIJING

Rui Su, Research Manager | T +86 10 6260 2428 | Email: rui@wineintelligence.com

CAPE TOWN

Dimitri Coutras, South Africa Country Manager | T +27 828288866 | Email: dcoutras@iafrica.com

DELAWARE

Erica Donoho, USA Country Manager | T +1 973 699 4158 | Email: erica@wineintelligence.com

FRANKFURT

Wilhelm Lerner, Associate Director/Germany Country Manager | T +49 (0)175 5806 151 | Email: wilhelm@wineintelligence.com

LONDON

Ali Darke, Senior Project Executive | T +44 020 7378 1277 | Email: ali@wineintelligence.com

MELBOURNE

Stephanie Duboudin, Australia Country Manager | T +61 437 663 878 | Email: stephanie@wineintelligence.com

RIO DE JANEIRO

Paul Medder, Brazil Country Manager | Email: paul.medder@wineintelligence.com

TRISTE

Pierpaolo Penco, Italy Country Manager | T +39 349 424 3371 | Email: pierpaolo@wineintelligence.com