



Wine retail trends in Germany, UK, USA, Australia, Japan,
France, Spain and Italy

ProWein 2015

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Executive summary – multi-market trends



Trend	Markets affected	Key implications
Growth of convenience retail	USA, UK, France, Spain Strongest trend: USA, UK	<ul style="list-style-type: none">• Smaller ranges in store• Shorter decision time for consumers• Smaller unit volumes purchased – possibly smaller format containers• “Brand” a more dominant factor in purchase decision• Less price sensitivity
Growth of online / direct to consumer retail	USA, UK, France, Australia, Spain Strongest trend: UK, France	<ul style="list-style-type: none">• Supermarket websites becoming important selling areas• Less physical contact with the product, but more need for information
Consolidation in retail sector / dominance of a few chains	Australia, Italy	<ul style="list-style-type: none">• Wholesaler channel serving smaller independent grocers no longer as valuable• Essential to consolidate relations with market leaders

Executive summary – country trends



Country	Main trends	Business implications
Germany	<ul style="list-style-type: none"> • Supermarkets making a comeback • Specialist wine shops suffering • Cellar door sales in decline 	<ul style="list-style-type: none"> ❖ Supermarkets and Hard Discount consolidating dominance
UK	<ul style="list-style-type: none"> • Convenience channel growing • Mainstream supermarket/hypermarkets losing market share • Hard discount revolution yet to touch wine • Direct-to-home channel growing 	<ul style="list-style-type: none"> ❖ Growth will come from convenience and direct-to-home ❖ These channels will have different product / branding needs
USA	<ul style="list-style-type: none"> • Convenience channel growing • Traditional liquor store / grocery channels in decline • Direct-to-home channel growing strongly 	<ul style="list-style-type: none"> ❖ Growth will come from convenience and direct-to-home ❖ These channels will have different product / branding needs

Executive summary – country trends



Country	Main trends	Business implications
Australia	<ul style="list-style-type: none"> • Main grocery retailers Coles and Woolworths consolidating dominant position • Direct to home channel growing 	<ul style="list-style-type: none"> ❖ Coles and Woolworths becoming the only game in town for volume ❖ Opportunities in direct-to-home, though some of these also part of Coles/Woolworths
Japan	<ul style="list-style-type: none"> • No strong changes in retail landscape • Hypermarkets/supermarkets remain dominant off trade sales channel 	<ul style="list-style-type: none"> ❖ Recent market growth after years of decline may foster shake up of retail channels
France	<ul style="list-style-type: none"> • Hypermarket dominance growing in France • Large hypermarket chains (Carrefour, Auchan) developing convenience store formats • Traditional supermarkets and specialist wine shops suffering • Growth in click-and-collect 	<ul style="list-style-type: none"> ❖ Opportunity to drive new products through the convenience sector ❖ Online click-and-collect channel also offers new opportunities for growth

Executive summary – country trends



Country	Main trends	Business implications
Spain	<ul style="list-style-type: none">• Local supermarkets / convenience stores gaining share• Large out of town hypermarkets in decline	<ul style="list-style-type: none">❖ Local supermarket channel now a more dominant force
Italy	<ul style="list-style-type: none">• Large national hypermarket chains gaining at the expense of smaller independent grocers• Hard discounters growing in influence	<ul style="list-style-type: none">❖ Retail picture in Italy starting to look more like France, Germany and UK❖ Volume relationships can now be forged with a small number of national chains

Executive summary – scope of geography for this report



Geography	Volume of wine consumption 2013, 000s 9L cases (IWSR)	Volume as % of total global wine consumption in 2013 (OIV)
USA	312,500	12%
Italy	282,780	10.5%
France	268,700	10%
Germany	229,890	8.5%
UK	123,288	4.5%
Australia	52,200	2%
Japan	34,884	1.5%
TOTAL	1,304,242	49%

NB volumes shown here are for whole market. This report is concerned with the off premise which typically accounts for 60-80% of wine sold in a given market

Executive summary: Germany



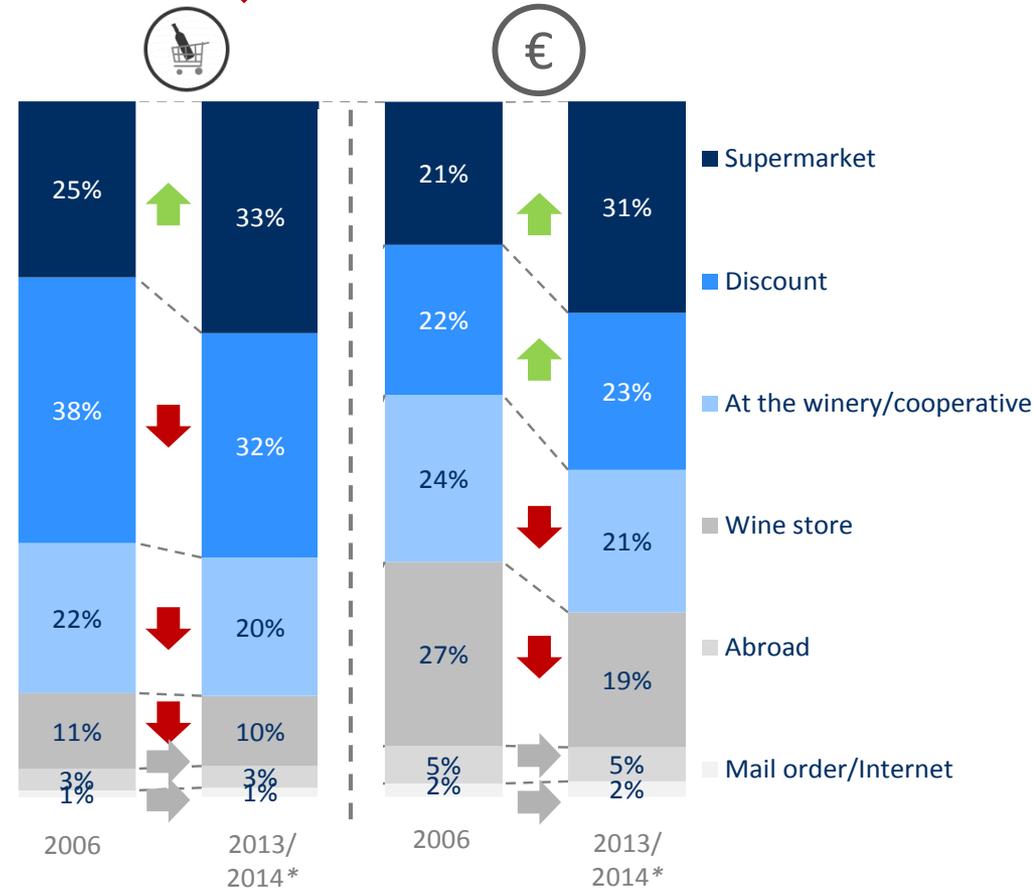
- Having lost market share for many years to hard discount, Germany's supermarkets are staging a strong comeback in wine sales
- Shoppers demanding more **upmarket products from mainstream channels** have driven the supermarket share of wine sales from 21% of value in 2006 to 31% of value in 2013
- Winery and co-op cellar door sales remain under pressure, as **consumers opt for the convenience of supermarkets** over the trip to a winery
- Specialist wine shops have seen the biggest decline in sales, and now account for less than 1 euro in 5 spent on wine. Note that this channel still has highest spend per bottle

Total wines sales in volume and value (% per off-trade channel)

↑ Growing between 2006-2013/14

↓ Decreasing between 2006-2013/14

→ No change between 2006-2013/14

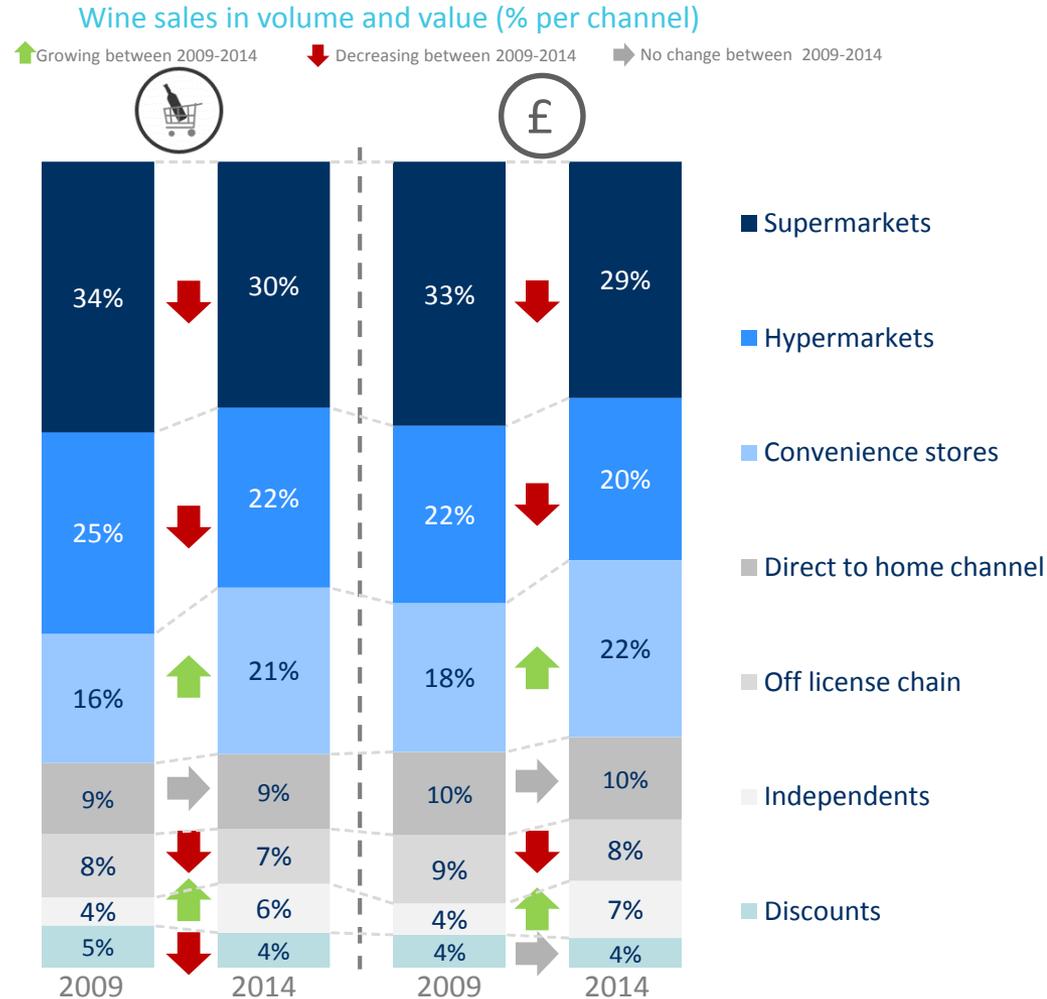


N.B. The 2013/14 data was collected through interviews with shoppers directly before and after Christmas. Therefore, the Discount and Supermarket channels are over-represented due to holiday specials uncommon during the rest of the year.*

Executive summary: UK



- UK Supermarkets and hypermarkets are seeing their market share erode, though they still account for 60% of all wine sold
- Supermarket share would be worse except for their success in the online channel, which is difficult to document but appears to be around 5-10% of wine sales
- The convenience channel has been the big winner over the past 5 years, with major growth in store openings and improvements to customer service, largely driven by major supermarket groups entering / growing presence in this sector
- Pure direct-to-home (ie ex-supermarkets) looks to be stable, while the high street off licence chain channel, which has suffered several bankruptcies over the past 5 years, is still in slight decline
- The other success story in the UK appears to be independent specialist retailers, some of which have been bought out of former off licence chains
- So far the spectacular growth of the hard discount chains (chiefly Aldi and Lidl) in general retail has not transitioned into wine, though the hard discount channel sales momentum would suggest this may change in the near future

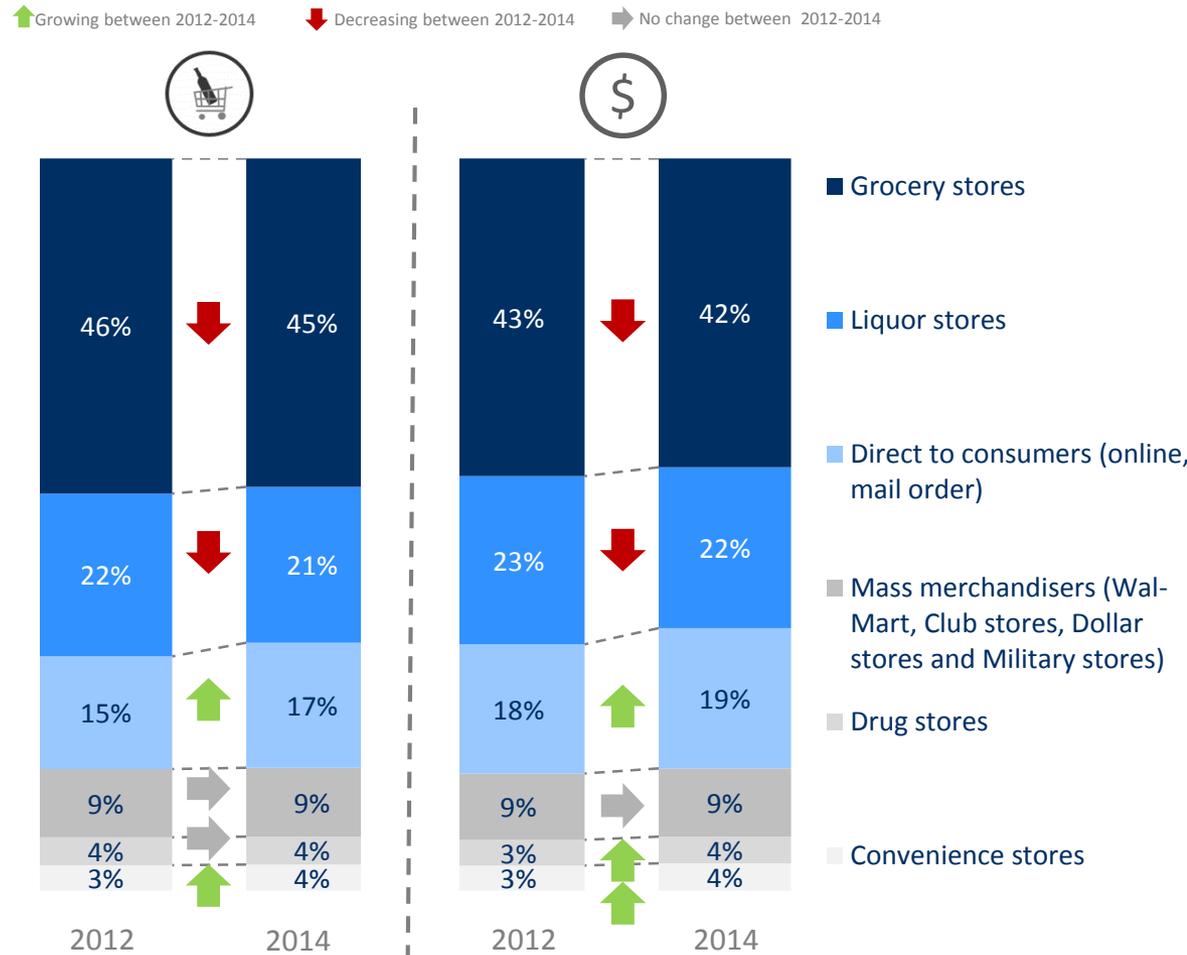


Executive summary: USA



- The US market remains among the most fragmented retail environments in the wine world, with state-level regulation playing a significant role in preventing consolidation
- “Traditional” channels such as liquor store and grocery store are seeing small erosions in volume and value share, though between them these channels still account for 2/3 of volume and a similar proportion of value
- The direct-to-consumer channel has been the big winner over the past 3 years, as regulatory barriers are slowly eased and more online retail business models develop
- Convenience and drugstore sales are also showing upward trends, but from a much smaller base

Total wines sales in volume and value (% per off-trade channel)



Sources: 1. Industry profile, Wine in the United States, Datamonitor, May 2010
 2. Nielsen, 2014
 3. Wine Business Monthly, 2014
 4. Wine Institute, April 24, 2014#
 5. Wine Intelligence Estimation based on Nielsen Scantrack US Still light wine trend 2012 – 2014
 6. Ship Compliant, 2013
 7. Direct to Consumer Wine Shipping Report, 2013

Executive summary: Australia



- Australian wine retailing is consolidated into two very powerful supermarket groups: Woolworths and Coles
- The Woolworths-Coles duopoly has tightened its grip on the Australian market over the past decade, and combined organisations now account for 77% of all off trade sales by value, up from 59% in 2005
- Independent retailers and smaller supermarket groups (eg IGA) have seen their share of wine fall
- However some of this decline has been mitigated by the growth of direct-to-home retailers, which are thought to be taking a larger share of the market (though this is difficult to measure accurately)

Total wines sales by value (% per off-trade channel)



*Woolworths share does not include Cellarmasters & Langtons.

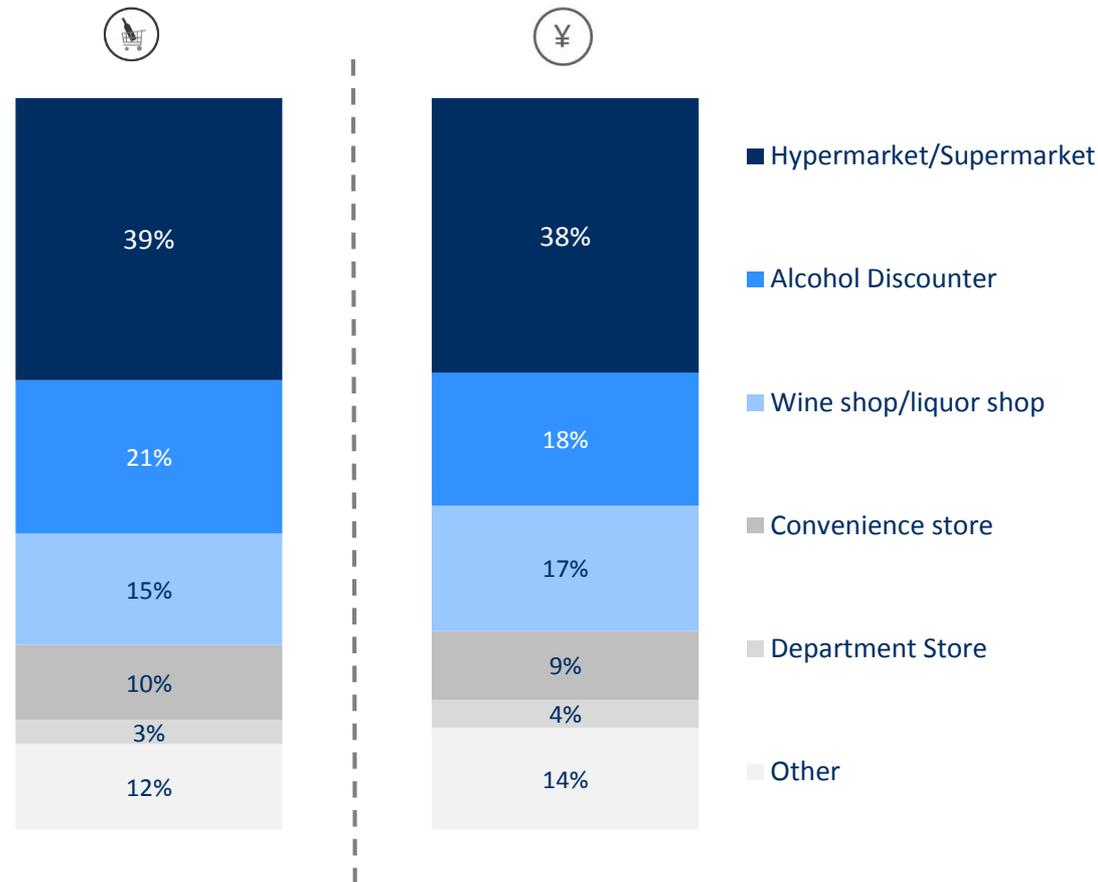
N.B. Direct to consumer sales through cellar door, online specialists and wine clubs are not accounted for and will be discussed separately in following slides

Executive Summary: Japan



- All channels remain stable in terms of volume and value between 2009 and 2012
- Hypermarkets and supermarkets remain dominant in terms of volume sales in Japan, accounting for 4 in 10 bottles sold in off trade
- Speciality wine shops and discount stores (incl large stores like Costco) account for a further 35%
- Online / direct channels take around 12% volume market share
- New trends in the wine market resulting from growth of wine consumption among younger consumers which could have far-reaching implications for off-trade distribution in the medium term

Imported wines sales in volume and value (% per off-trade channel)



N.B. Market share is estimated based on market information in 2009 and 2012

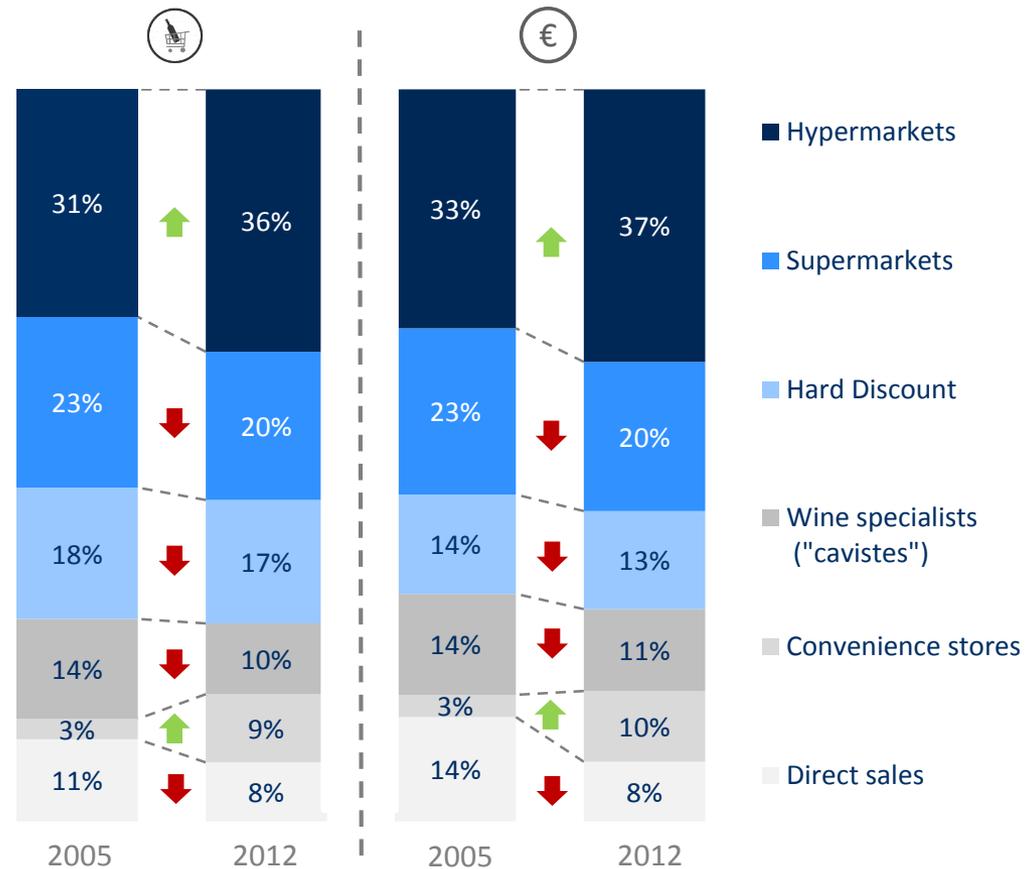
Executive summary: France



- Wine sales in France remains dominated by the hypermarkets (large format out-of-town multi-category retailers)
- Hypermarket dominance is growing, at the expense of traditional supermarkets, hard discounters and wine specialists (“Cavistes”)
- Changing consumer lifestyles are making convenience / small format retail in town more significant in terms of wine sales
- Online sales are estimated to have exceeded €500 million in 2013, up from less than €200 million in 2008
- There is also evidence of growing online-initiated “click and collect” wine sales, though exact numbers are difficult to obtain

Total wines sales in volume and value (% per off-trade channel)

▲ Growing between 2005-2012
 ▼ Decreasing between 2005-2012



Executive Summary: Spain

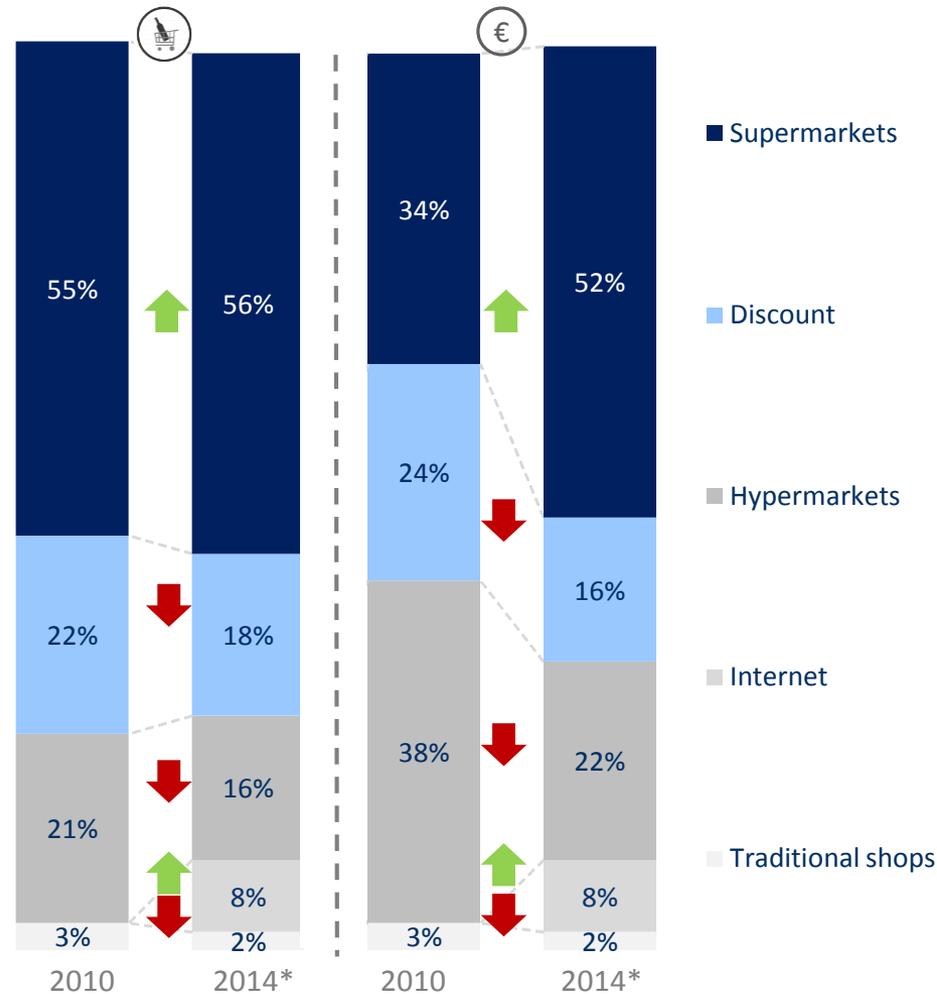


- Supermarkets (particularly local / convenience shops) and online have been the big winners in Spain since the onset of the financial crisis
- Declining wine sales in general have hit the discounter and hypermarket sector hardest, as Spanish consumers have retreated to more daily shopping in nearby shops
- Supermarkets now account for over half of all wine purchases by value, and the internet has risen from virtually nothing to account for 8% of sales by value

Wine sales in volume and value (% per channel)

↑ Growing between 2010-2014

↓ Decreasing between 2010-2014



*NB: 2014 data includes only up to June 2014

Executive Summary: Italy

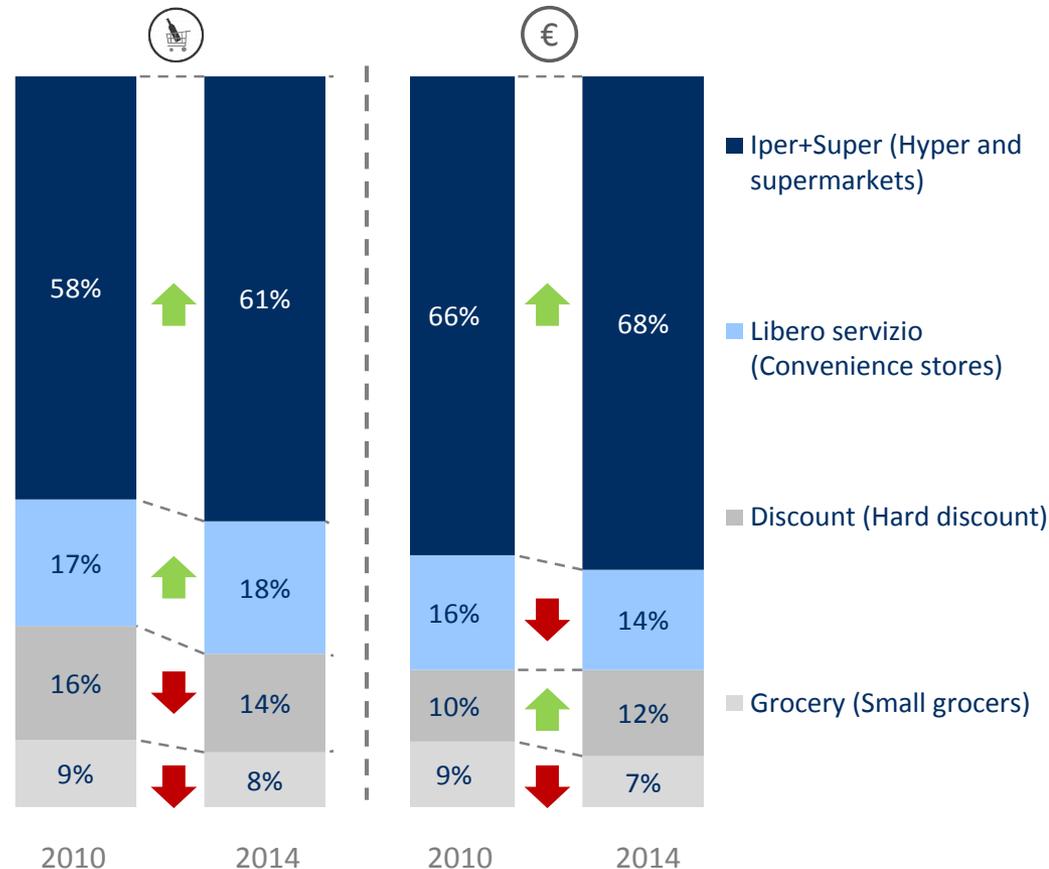


- Hypermarkets and supermarkets have reinforced domination of the wine category in the years since the financial crisis
- Hard discounters have grown in influence, with 12% of wine sales by value, but volume sales are actually lower than in 2010
- Convenience store and locally-operated co-operatives have maintained their hold on the daily shop, and remain an important channel for wine
- Biggest losers in Italy have been the independent smaller grocery stores, mainly based in the south of the country, which have seen their market share under pressure from all sides as national and international chains advance into their territories

Total wines sales in volume and value (% per off-trade channel)

▲ Growing between 2010-2014

▼ Decreasing between 2010-2014



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