



LOWER ALCOHOL WINE IN THE UK MARKET



MAY 2012



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Lower alcohol wines seem to be at the centre of an almost-perfect wine industry storm in the UK. Despite being quite difficult and expensive to make, and running against the natural instincts of many winemakers, lower alcohol wines (defined for the purposes of this report as wines below 11% ABV) have come to dominate conversations about innovation in the wine category.

From an outsider's perspective, it's easy to see what's causing the fuss. Lower alcohol wines represent the natural outcome of social, political and economic pressures on the wine category. The UK government's Responsibility Deal is encouraging all alcohol manufacturers to reduce alcohol levels; there is more social pressure than ever before to moderate consumption (or abstain completely); and the UK excise tax system provides a convenient and useful pricing incentive to producers who can engineer their wines down to the 5.5% level or below.

It's also true to say that lower alcohol wines have been climbing the sales charts, albeit from a low base. Yet it is here that we must start to examine the evidence more closely, and also think about what the lower alcohol category currently represents, as well as what it might become – both of which are core subjects for this report.



The evidence currently available suggests that low alcohol wines (5.5% or below) are just about the only sign of growth in the UK wine market. The latest Nielsen data, reported in April 2012 in Off-Licence News, shows growth of 26% in volume and 39% in value over the year to March 31, 2012, against a market that's down slightly in volume and marginally up in value.

The evidence from Wine Intelligence's UK consumer studies over the past few months suggests that the vast majority of purchase decisions in the 5.5% ABV space are driven not by a desire to reduce alcohol intake, but a more practical desire on the part of the consumer to keep buying cheap wine. This hypothesis is supported by the fact that in many multiple retailers the 5.5% wines and "British" wine (which is also seeing phenomenal growth) are more or less the only products now available for less than £3.50 per bottle.

Of course this is only part of the story. Far more interesting is the opportunity for lower alcohol wines between 5.5% and 11%, especially if, as it might, the UK government introduces new tax bands to benefit wines below certain ABVs. Even if no tax breaks are introduced, it's highly likely that the lower alcohol category (effectively that between 5.6% and 11%) is here to stay, given the public and measurable commitments that have been made by the major UK retailers.

Judging from the evidence in this report, the lower alcohol space represents all that is promising, and all that is challenging, about the UK wine market. The promising bit is that the typical UK wine drinker is open-minded about new styles of wine, and does appear to be paying more attention to alcohol levels in drinks (40% of the wine drinking population now use this as a purchase cue), and personal alcohol consumption, thanks to government and media.

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Executive summary

Lower alcohol category is growing, but consumers remain wary of poor quality product

Alcohol content is becoming a more relevant choice cue for UK wine consumers

4 out of 10
UK regular wine drinkers
now see alcohol level as an
important choice cue
when making the decision
to purchase their wine



- However 30% of UK regular wine drinkers are not aware of the alcohol level in their typical bottle of wine
- Furthermore, 40% of the regular wine drinking population are not familiar with the alcohol level in a *lower alcohol* bottle of wine, suggesting that alcohol levels are often not the primary driver of purchase
- Around 1 in 3 UK regular wine drinkers say they have bought a wine with alcohol level lower than 11%

There are various obstacles for wine drinkers to switch to lower alcohol wines, particularly concerning the taste and quality of lower alcohol products compared to standard wine



Executive summary

Main motivation vs main barriers to buying lower alcohol wine

Main motivations for buying lower alcohol wine



- ✓ It's better for my health
- ✓ I enjoy the taste
- ✓ I like to stay in control
- ✓ I will be driving
- ✓ It gives me fewer headaches
- ✓ I am on a diet
- ✓ It goes better with food

Main barriers to buying lower alcohol wine

- My favourite wine doesn't come in a lower alcohol version
- Lower quality than standard wine
- I dislike the taste
- Higher price than standard wine
- Do not contain enough alcohol to feel an effect
- Difficult to find where I shop for wine
- I'm not aware of these products

Executive summary

Future opportunities for lower alcohol wine



Wine will continue to grow as a **sociable drink** and many UK consumers are not yet convinced how/if lower alcohol wine fits into these wine drinking opportunities



Lower alcohol on its own is not seen as a benefit, so lower alcohol wines should be more **creatively communicated** to sell the benefits of the product rather than the literal credentials



Recommendations for lower alcohol wine can positively influence purchase, but **sampling campaigns will be needed** to overcome consumers' inbuilt scepticism about the taste of a lower alcohol product



Price will continue to play an important role: UK consumers will continue to expect lower alcohol wine to be cheaper compared to standard wine – unless another benefit is highlighted

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Context

Increasing interest in lower alcohol wines over the past 2 years



Lower alcohol wines have been a hot topic in the UK both from a health perspective and where less duty is applicable, offering significant commercial opportunities

- Even though more alcohol is consumed in Europe than any part of the world, the levels of alcohol consumption have been falling in western Europe, as consumers are increasingly aware of health issues caused by alcohol and increasingly seeking healthier alternatives
- Europe gave the green light to lower alcohol wines after the European Commission ruling in 2008 that removed restrictions on the sale within the EU of reduced alcohol wine produced using techniques such as the spinning cone column and reverse osmosis
- Under European Union tax rules for still wines between 5.5% and 15%, it is permissible for member states to operate different rates for two bands: 5.5-8.5% and 8.5-15%. This enables duty incentive to be applied for lower alcohol wines

Context

Lower alcohol wines have slightly fewer calories and significantly lower the individual's intake of alcohol units

The UK government advises that people should not regularly drink more than the daily unit guidelines of 3-4 units of alcohol for men and 2-3 units of alcohol for women



White wine

- 1 x 125ml (14%ABV) = 1.8 units, approx 95 calories
- 1 x 125ml (10%ABV) = 1.3 units, approx 95 calories
- 1 x 125ml (5.5%ABV) = 0.7 units, approx 60 calories



Red wine

- 1 x 125ml (14%ABV) = 1.8 units, approx 85 calories
- 1 x 125ml (12%ABV) = 1.3 units, approx 85 calories
- 1 x 125ml (8%ABV) = 1 unit, approx 80 calories



Rosé wine

- 1 x 125ml (14%ABV) = 1.8 units, approx 90 calories
- 1 x 125ml (10%ABV) = 1.3 units, approx 90 calories
- 1 x 125ml (5.5%ABV) = 0.7 units, approx 60 calories

Alcohol taxes common to all EU countries: EU Customs Duty

- EU Customs Duty applies to all EU member states. It is a duty collected by the relevant member state on behalf of the EU and is paid in addition to any national excise duties
- Applies to all wines and spirits entering the EU from non-EU countries
- Can be paid in any member state, goods are able to move in what is referred to as “free circulation” once the tax has been paid
- For still light wines up to 13% ABV, EU Customs Duty is currently is €13.10/Hl, or 10 euro cents per bottle of wine (75cl.), and increases as the ABV level rises

Alcohol taxes specific to the UK: Wine Excise Duty and VAT

- Wine excise duty is a tax deliverable to the UK authorities on all wine imported to the UK
- This is in addition to generic UK sales tax (VAT) at 20% which is levied at the point of sale
- UK Excise Duty varies depending on the ABV of the product. Full details of excise duty levels are provided in the following page
- The UK is one of the countries with the highest alcohol tax in Europe. If VAT is included, the typical total tax take on a £4 bottle of wine (75cl.) is approximately £2.80 (approximately 70% of retail price)

UK Wine Excise Duty summary

- Excise duty is calculated depending on alcoholic strength
- Duty is calculated in pounds sterling per hectolitre
- Current duty rates on a 75cl bottle of still wine are typically £1.90 per bottle, and £2.43 per bottle for sparkling wine

UK Wine Excise Duty table April 2012

Type	Rate per hectolitre of product	Rate per 75cl equivalent
Still wine		
Wine: over 1.2% to 4% abv	£78.07	£0.59
Wine: over 4% to 5.5% abv	£107.36	£0.81
Still wine: over 5.5% to 15% abv	£253.39	£1.90
Wine: over 15% to 22% abv	£337.82	£2.53
Sparkling wine		
Sparkling wine: over 5.5% to 8.5% abv	£245.32	£1.84
Sparkling wine: over 8.5% to 15% abv	£324.56	£2.43

Context

Because the duty break kicks in at 5.5% ABV, more wines at this level and below are crowding into the market

- Low and no-alcohol wine sales are growing rapidly (from a small base), now nearing 1 million cases in the UK according to 2011 figures from Nielsen
- The sector, which ranges from alcohol-free wines up to 5.5% ABV, grew by around 39% in value and by some 26% by volume (moving annual total as of March 31 2012), against slightly declining volume in the market as a whole
- Lower alcohol wines are winning more shelf space due to trade engagement and perceived consumer excitement

We remain committed to helping customers drink responsibly. We offer a broad range of wine products to meet all customer needs and see the lighter-style wine market as an important and increasingly popular emerging category

Claire Lorains, Wine category buying manager at Tesco speaking to Off-licence news

We've made a commitment that by 2020, we'll double the sales of lighter alcohol wine and reduce the average alcohol content of own-brand wine and beer...

Julian Dyer, Sainsbury's senior wine buyer speaking to TheDrinksBusiness.com

Context

Many lower alcohol wines are extensions of their parent brand



First Cape
Café Collection at 5.5%



Jacob's Creek
Cool Harvest at 9.5-11



Blue Nun
Delicate at 5.5%



Banrock Station
Bright Idea Wines at 5.5%



Silver Bay
Point at 8%



Stowells Light
at 5.5%



Lindeman's
Early Harvest at 7.5-9%

Context

Trade recognises a number of obstacles for wine drinkers to switch to a lower alcohol wines

Main concern is around the **taste** of lower alcohol products compared to standard wine



There is also some anxiety about the **quality** of lower alcohol products, as guaranteeing quality is important for the overall growth of the category

While there is an ever-growing number of consumers who are looking for healthier products... however the low-alcohol wine category was being damaged by a lack of investment in its image and quality
Neil Marolia, brand manager of Banrock Station speaking to TheDrinksBusiness.com

Consumers want lower alcohol, but they don't want to compromise on flavour...
Rebekah Richardson, Jacob's Creek sparkling, white and rosé winemaker speaking to TheDrinksBusiness.com

We don't want to bring in a wine just to hit a tax break. If we are going to put any of our brand names to a product it has to deliver on quality.
Mark Tinsley, E&J Gallo regional sales director speaking to Off-licence news

Product descriptions for lower alcohol wine can include:

- Wine
- New style wine
- Reduced alcohol or de-alcoholised wine
- Reduced alcohol wine-based drink
- A blend of wine and fruit juice

Alcohol level is primarily communicated through:

- Showing ABV
- Showing alcohol units
- Showing calories

Only 0,5° alcohol content and fewer than half the calories of a conventional white wine
DE-ALCOHOLISED WINE

Light

75 Calories
Per glass

NEW
STYLE
WINE

REDUCED ALCOHOL WINE BASED DRINK

FEWER THAN HALF THE CALORIES OF A CONVENTIONAL WHITE WINE
ONLY 0,5° ALCOHOL CONTENT

6
UK
units

The problem with the low-alcohol market is people are trying it once and then not coming back for repeat purchase due to the poor quality of the liquid and the lack of clarity of the packaging. People are simply not aware of what they are buying..

Neil Marolia, brand manager of Banrock Station speaking to TheDrinksBusiness.com

The industry must be mindful to label lighter wines in a clear and compelling way
Julian Dyer, Sainsbury's senior wine buyer speaking to TheDrinksBusiness.com

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UK consumers and alcohol content in wine

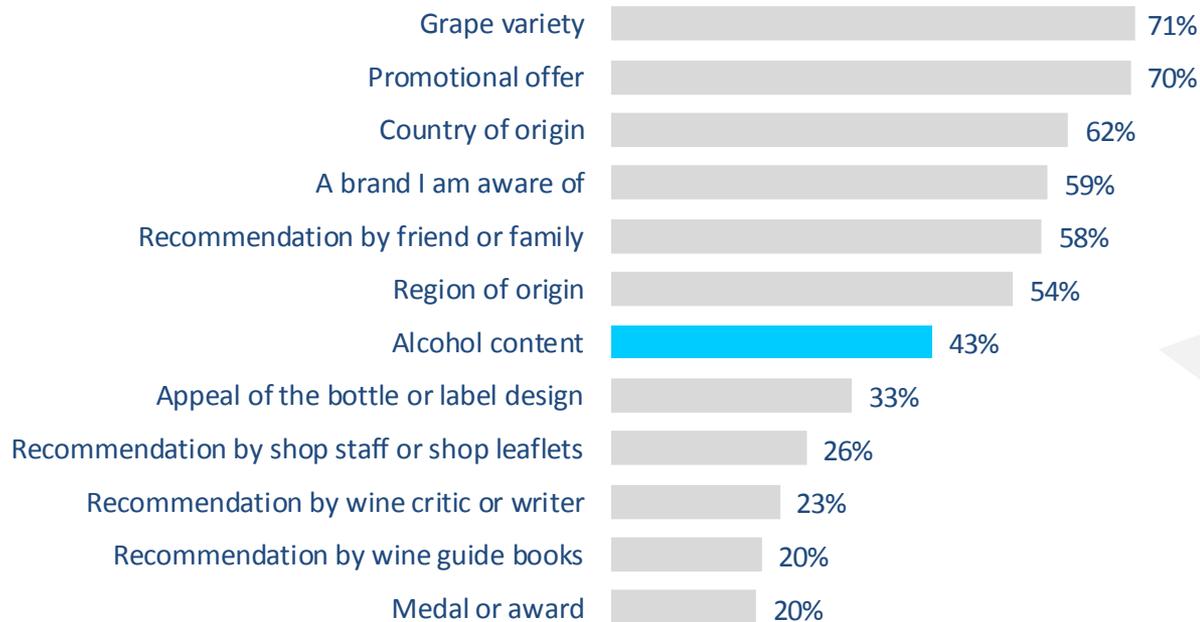
Alcohol content is increasingly becoming a relevant choice cue for UK wine consumers



Important choice cues when purchasing wine

% that quoted the following "important or very important" when purchasing wine

Base=All UK regular wine drinkers (n=603)



It is something I am interested in... in the summer you don't want something that's too strong...

Male, Mainstream-at-Homer, London



Although still far from being the most important factor in UK consumers' wine purchase decision, 2 out of 5 UK regular wine drinkers now see alcohol content as an important choice cue when buying wine

UK consumers and alcohol content in wine

Many UK regular wine drinkers assume the alcohol content in wine will match their expectations and therefore do not check specifically before buying

Alcohol content is **not a priority choice cue** for UK wine consumers when purchasing wine

Many consumers do have a **preferred alcohol level** in wine, and assume that the alcohol content in the wine they buy will match this expectation

Consumers expect a significantly higher or lower alcohol level would be **clearly marked** on the label



I'd probably look for something like 13 or 14%, but I wouldn't really check...
Male, Generation Treater, London

14.5% is the normal one we have at home as we predominantly drink Chardonnay and Rioja...
Female, Mainstream-at-Homer, London

I wouldn't like it too strong... I like it sweet... so around 11 or 12 %
Female, Mainstream-at-Homer, London

If it was really low or high, I would expect it to be marked clearly as this...
Female, Generation Treater, London

UK consumers and alcohol content in wine



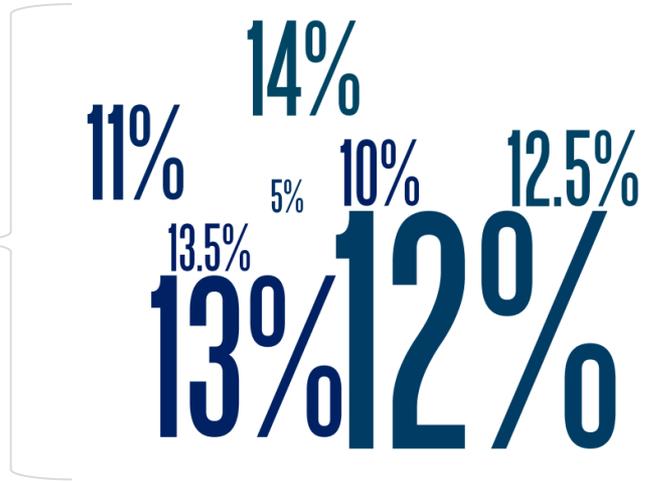
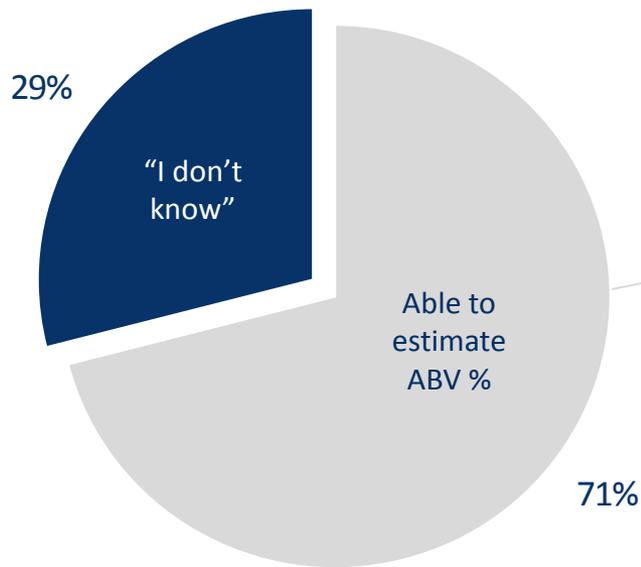
Nearly 30% of UK regular wine drinkers are not aware of alcohol level in their typical bottle of wine

Those UK consumers who are familiar with the ABV in their typical bottle of wine estimate that it is on average 12% ABV

Alcohol content in a typical bottle of wine

Base = All UK regular wine drinkers (n=603)

Among those able to estimate alcohol content in a typical bottle of wine, most common estimates are:



Note: Size of number reflects frequency of response

Regular wine is 12% that would be my expectation... I don't really check it...
Male, Generation Treater, London

UK consumers and alcohol content in wine

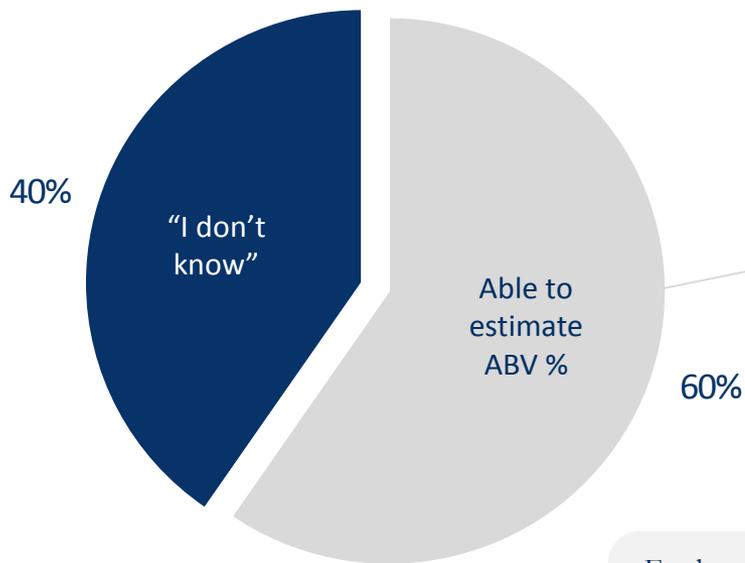


40% of UK regular wine drinkers are not familiar with the alcohol level in a lower alcohol bottle of wine

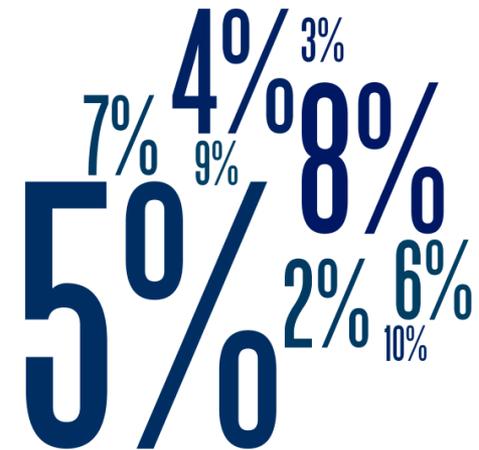
Those UK consumers who feel they are able to estimate the alcohol level in a lower alcohol bottle of wine estimate that it is on average 6% ABV

Alcohol content in a lower alcohol bottle of wine

Base = All UK regular wine drinkers (n=603)



Among those able to estimate alcohol content in a lower alcohol bottle of wine, most common estimates are:



Note: Size of number reflects frequency of response

For low alcohol I've put non alcoholic one... I bought it once and it said like 0.01%
Female, Generation Treater, London

For low alcohol I've put 10%... something a bit easier to drink
Male, Generation Treater, London

UK consumers and alcohol content in wine

Alcohol units are a less familiar measurement than ABV for consumers

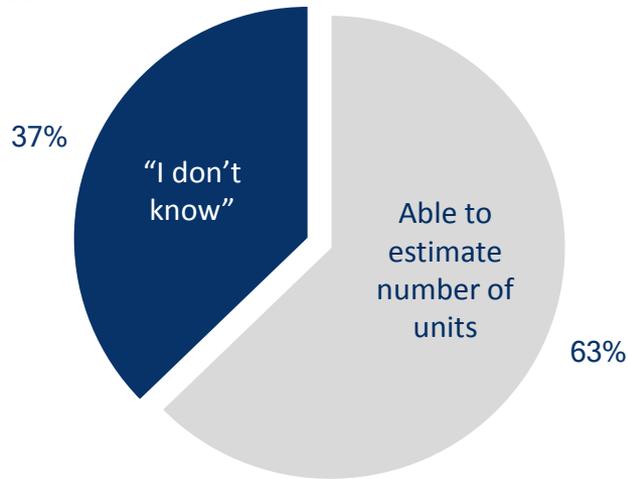


- 37% of UK regular wine drinkers do not know how many units of alcohol a typical bottle of wine contains
- For a lower alcohol bottle of wine, 71% of UK regular wine drinkers are unable to estimate how many units of alcohol the bottle contains

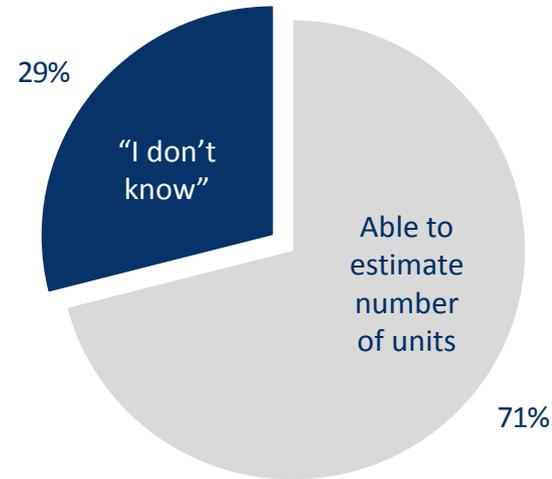
Alcohol units in a typical vs lower alcohol bottle of wine

Base = All UK regular wine drinkers (n=603)

Typical



Lower



UK consumers and alcohol content in wine

Lower alcohol wine is not particularly visible, but some UK wine consumers are familiar with the product

Although lower alcohol wines have been available on the UK market for several years, they are **only recently gaining attention and visibility**

Some consumers note having **seen lower alcohol wines**

- On supermarket shelf
- Advertised in magazine

Nonetheless, visibility overall appears to be **low**



Sainsbury's does low alcohol wine...
Male, Generation Treater, London

I've seen it in a magazine... Banstock is it?
Female, Mainstream-at-Homer, London

I bought a 3% wine once... but I had no idea that I am buying a low alcohol wine ...
Male, Mainstream-at-Homer, London

I don't really look for it so it hasn't stood out for me...
Male, Mainstream-at-Homer, London

I don't know any brands with low alcohol...
Female, Generation Treater, London

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Lower alcohol wine purchasing behaviour

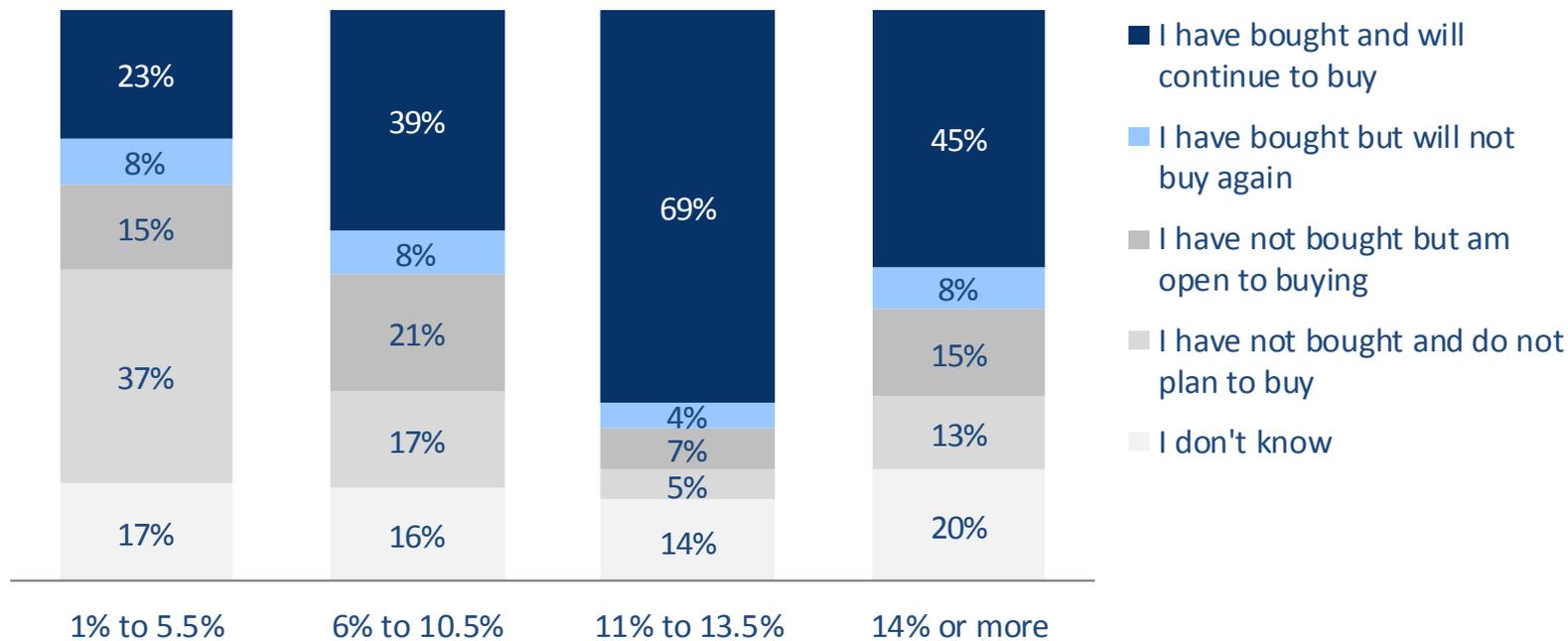
1 out of 3 UK regular wine drinkers have bought a wine with alcohol level lower than 11%



Usage and likelihood to buy wine at a given ABV

% who say this statements best describes their experience with the following types of wines

Base=All UK regular wine drinkers (n=603)



- As expected, 11-13.5% ABV is the most common range for UK consumers regular wine purchases
- 45% of UK regular wine drinkers reject wine with ABV of 5.5% and below

Lower alcohol wine purchasing behaviour

Consumers perceive alcohol content as being strongly connected to the taste of the wine

Many consumers state that they look for wines with higher ABV, which they associate with:

- Stronger body
- Value for money

These consumers reject lower alcohol wines due to associations with:

- Lighter style
- Fizzy and sparkling wines
- Sweeter wines
- Mulled wine
- Less taste, fewer calories
- Similar to alcopops

For some, however, the specific taste associations with lower alcohol wines are positive – in particular lighter and sweeter styles

I normally buy 13% or 14% Merlot... a rich taste... I think because it's stronger
Male, Generation Treater, London

Highest would be 14 – full-bodied Malbec
Male, Generation Treater, London

I prefer a wine with body so I feel alcohol adds to that, but I also like value for money... so I wouldn't buy a 12%
Male, Mainstream-at-Homer, London

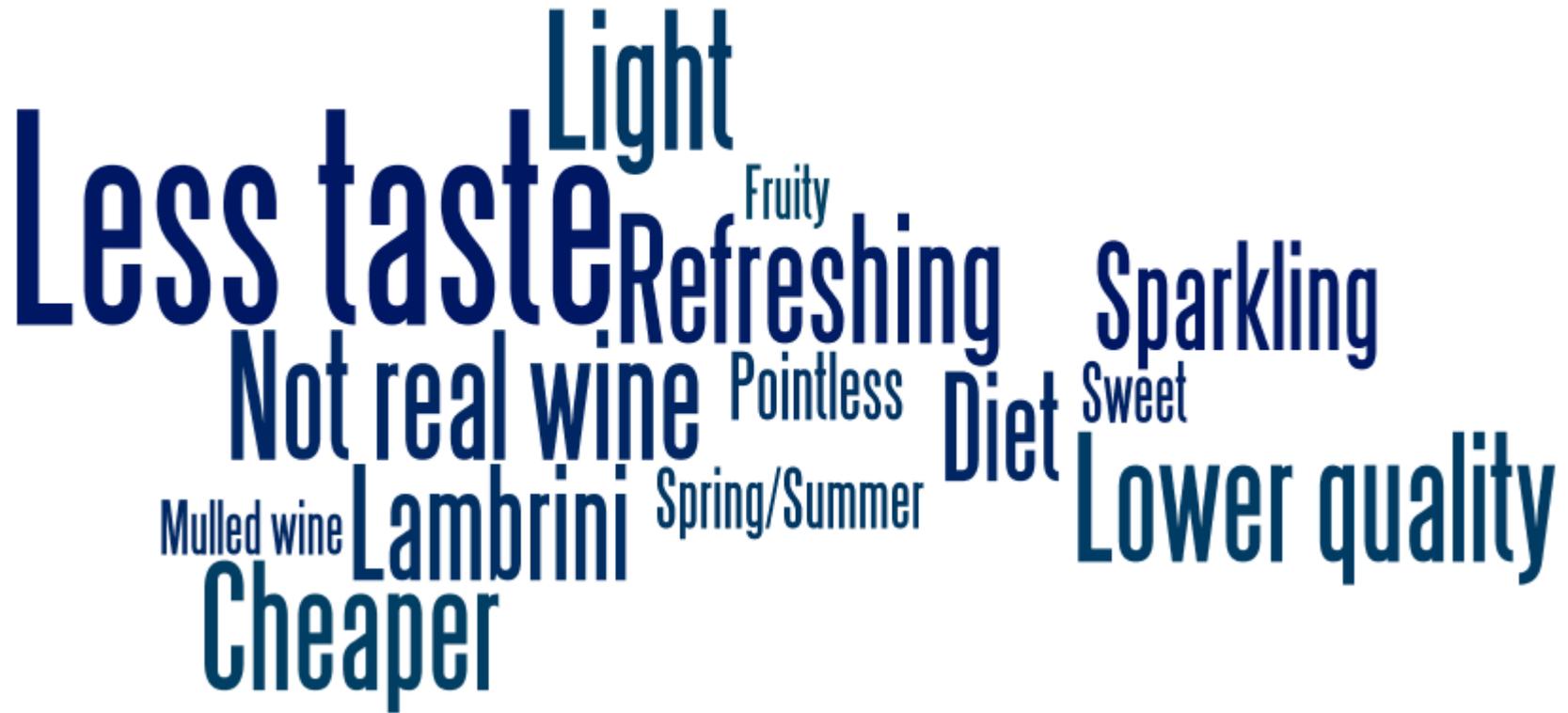
Fizzy... Like pop drink actually... You just might have a Tizer or Tango or something like that...
Female, Mainstream-at-Homer, London

I like it sweet so around 12%... and I do like the lower ones like rose and the spritzer
Female, Mainstream-at-Homer, London

Lower alcohol wine purchasing behaviour

Concern regarding taste is the top association when consumers think about lower alcohol wine

Although a number of concerns are cited by consumers as top associations with lower alcohol wines, positive aspects such as “refreshing” are also mentioned



Lower alcohol wine purchasing behaviour

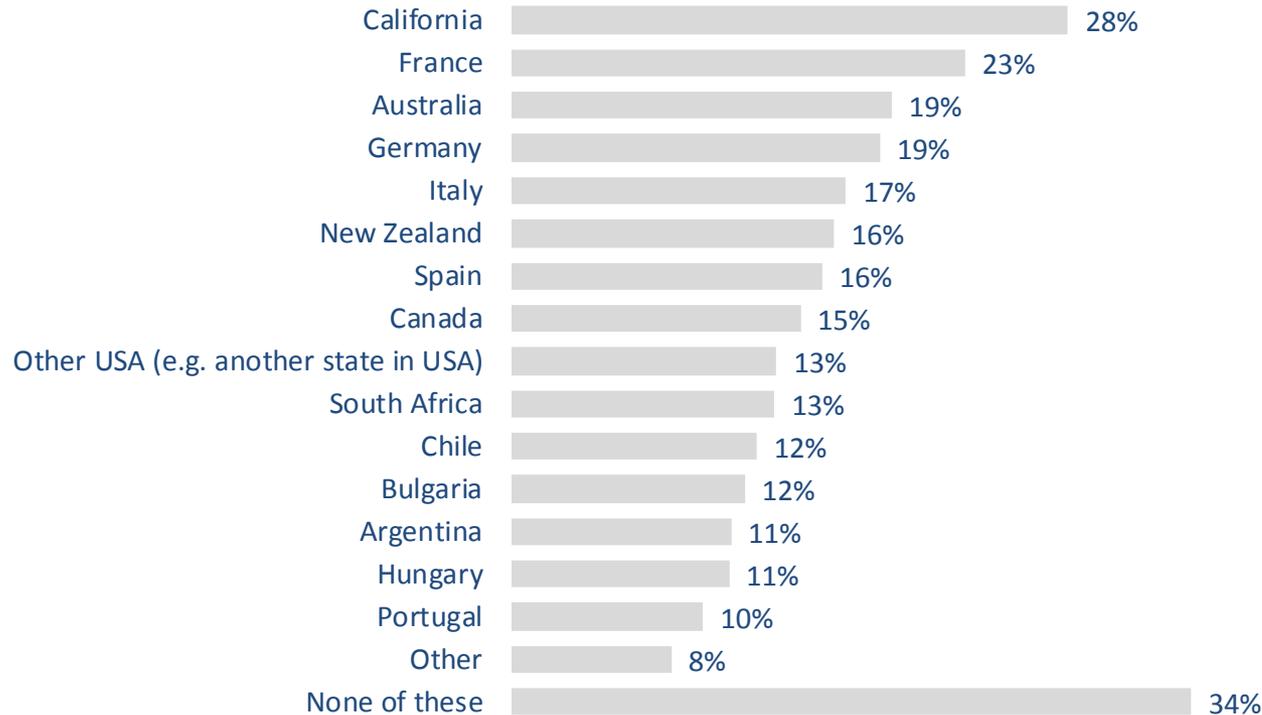
A range of New World and Old World countries are expected to be likely producers of lower alcohol wine



Country association for lower alcohol wine

% who state the following country as the expected origin for lower alcohol wines (below 11% abv)

Base=All UK regular wine drinkers (n=603)



Although California is most likely to be associated with a lower alcohol wine, no single country dominates consumer perceptions for the category

Lower alcohol wine purchasing behaviour

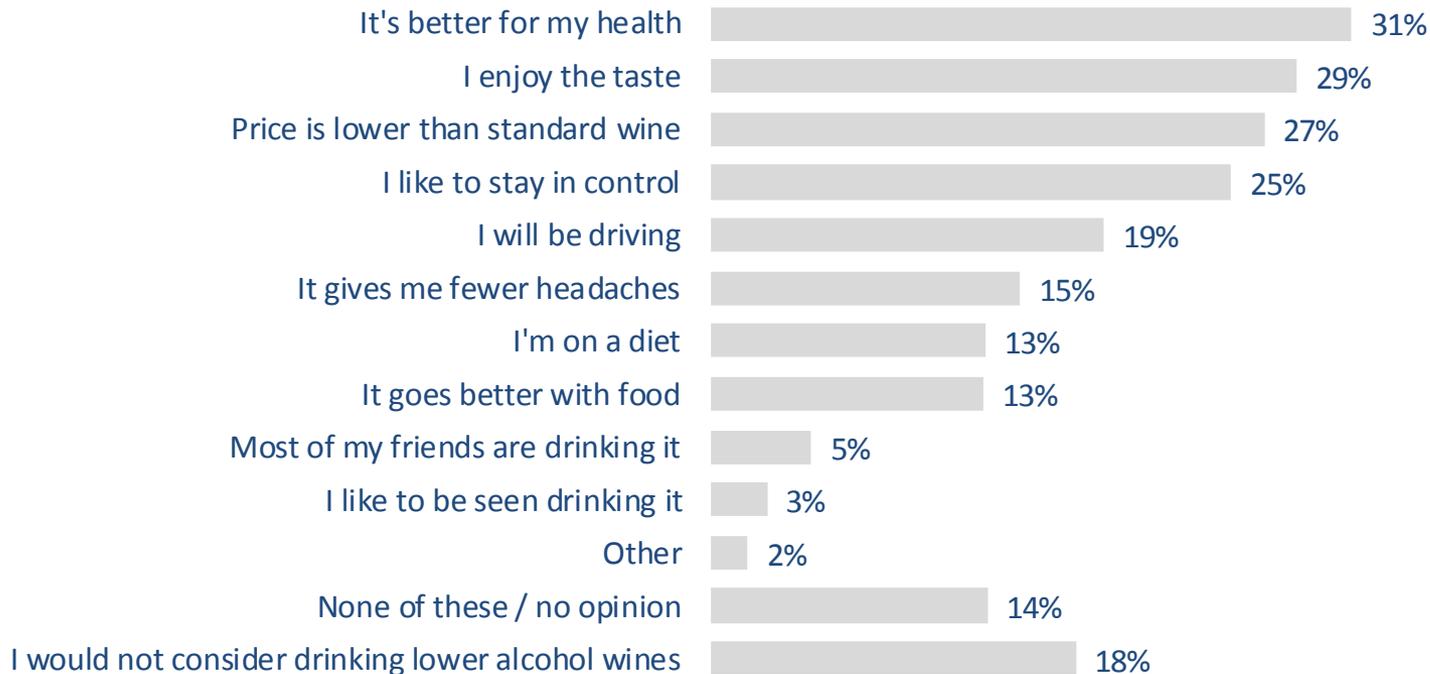
Health benefit is top motivation for buying lower alcohol wine



Motivations to buy lower alcohol wine

% who would be motivated by the following to buy a lower alcohol wines (below 11% abv)

Base=All UK regular wine drinkers (n=603)



1 in 4 UK regular wine drinkers are also motivated to buy lower alcohol wine by taste, price and “staying in control”

Lower alcohol wine purchasing behaviour

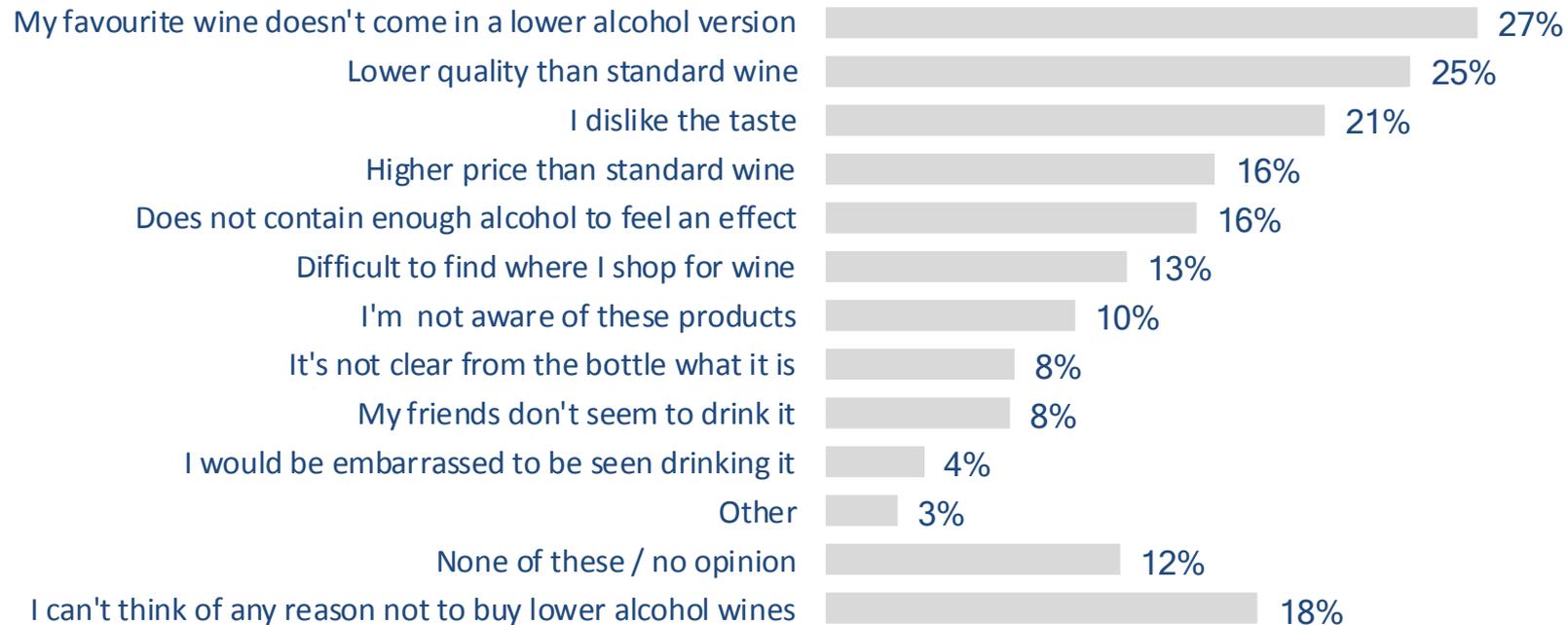


Not being able to find favourite wine in a lower alcohol version is main barrier to purchase

Barriers to buy lower alcohol wine

% who would see the following as a reason not to buy lower alcohol wines (below 11% abv)

Base=All UK regular wine drinkers (n=603)



- 1 out of 4 UK regular wine drinkers are also concerned about the quality of lower alcohol wine
- Taste concerns are another top barrier, demonstrating the importance of taste in winning consumers over to the category

Lower alcohol wine purchasing behaviour

Health and dietary benefits are recognised, but play a less important role in the final purchase decision

- Most UK wine consumers recognise the direct connection between lower alcohol wine and health benefits
- Fewer consumers associate lower alcohol wine with fewer calories
- However, many UK consumers also link low alcohol and/or low calories with less taste, which is a key concern in deciding whether to buy the product



Lower alcohol wine purchasing behaviour

Familiar brands and recommendations would motivate lower alcohol wine purchase, but taste remains most important

- Seeing their favourite brand offering a lower alcohol wine could have a positive impact
- Recommendations for lower alcohol wine can also lead to purchase
- Consumers cite the opportunity to taste the product beforehand as a good way of convincing them to buy lower alcohol wine

Yes, I'd like to see my favourite brand offer a lower alcohol wine...

Female, Mainstream-at-Homer, London

If it appeared in my favourites [when shopping online] and they recommended it, saying that it tastes the same...

Female, Generation Treater, London

I would automatically think it's lacking flavour... So if I tasted it and liked it... I might buy it...

Female, Generation Treater, London



Lower alcohol wine purchasing behaviour

Additional challenge identified by consumers is absence of lower alcohol drinking occasion

- Wine is viewed as a sociable drink, and many UK wine consumers would not drink lower alcohol wine on occasions when they normally drink wine (e.g. relaxing drink in a pub, bar, at home, in a restaurant or at home with food)
- The product does, however, offer an option for those who do not drink alcohol or on occasions when alcohol is less appropriate (e.g. lunchtime, a diet etc.)
- Some consumers who show less concern over the expected taste see lower alcohol wine as a suitable choice in spring/summer, when it can serve as a light, refreshing drink

I'd rather drink nothing than sit there with a low alcohol wine... mainly because of the flavour...

Female, Generation Treater, London

I'd rather go for a lager, not low alcohol wine if you are driving or having a work lunch...

Male, Mainstream-at-Homer, London

If somebody is not a drinker... good option to have as stand-by....

Female, Mainstream-at-Homer, London

Maybe lunchtime... I don't want to fall asleep in the afternoon

Male, Generation Treater, London

I quite enjoy it... like a refreshment in the summer

Male, Mainstream-at-Homer, London

Lower alcohol wine purchasing behaviour

UK consumers expect lower alcohol wine to be cheaper

Consumer experience and perceptions indicate that lower alcohol wine should cost less than regular bottle of wine

Reasons mentioned include:

- Lower alcohol level = less duty
- 'Less time to form'
- 'Shorter fermentation'



It doesn't seem like a real wine... so cheaper...

Female, Generation Treater, London

Should be less... because the duty is less...

Male, Mainstream-at-Homer, London

It takes less time to form...

Male, Generation Treater, London

Definitely lower... around £4

Female, Mainstream-at-Homer, London

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Who drinks low alcohol wine?

Who is the consumer for lower alcohol wine?



In this section we describe 3 segments of lower alcohol wine drinkers based on likelihood to buy wine in the 1-5.5% and 6-10.5% categories

Buyers

Those who answered “I have bought and will continue to buy” in at least 1 of the 2 categories

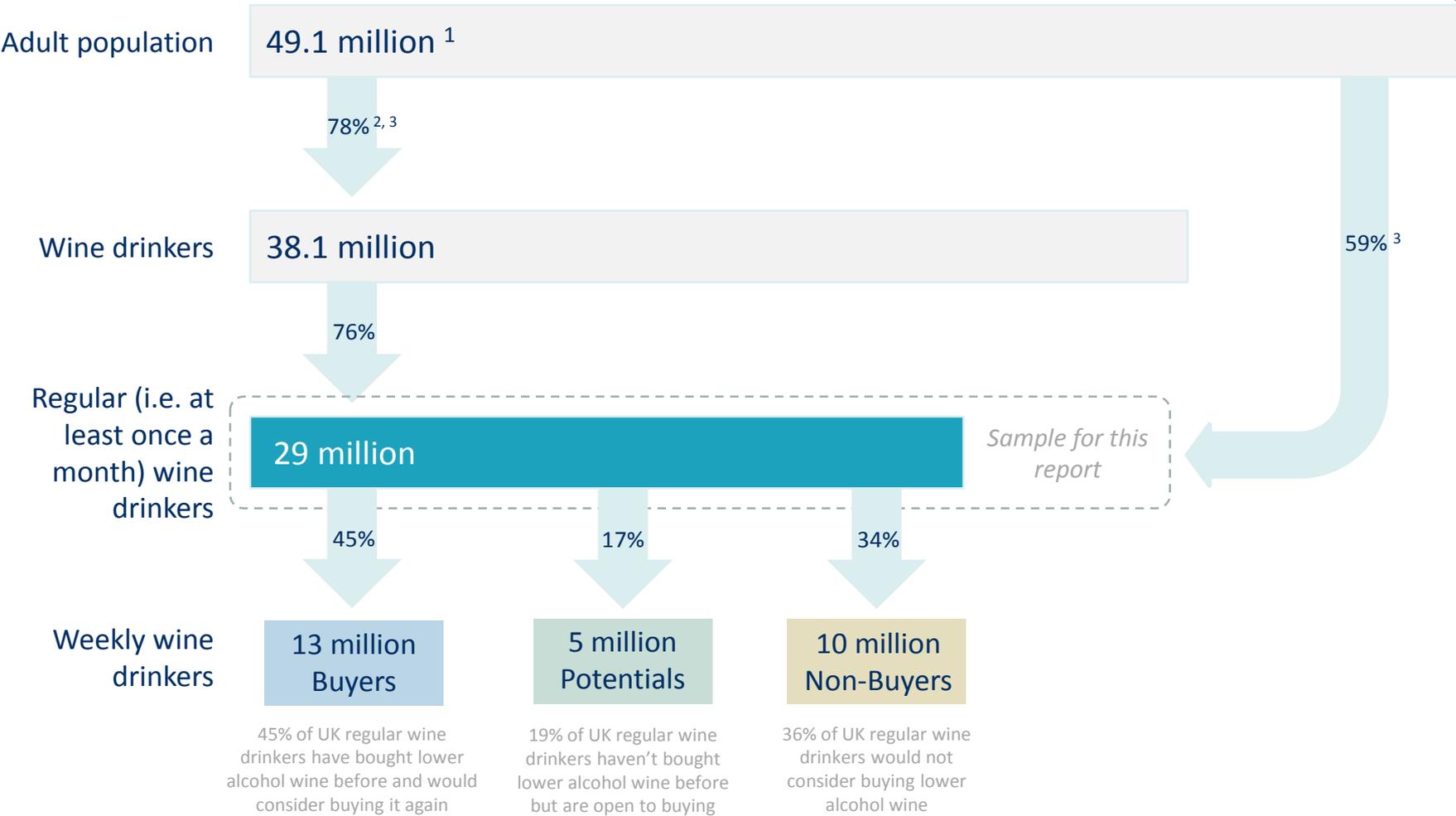
Potentials

Those who answered “I haven’t bought but am open to buying” to at least 1 of the 2 categories and who are not currently buyers

Non-buyers

Those who are neither buyers nor potentials, and reject buying lower alcohol wine in the future

Overview of the UK wine market



Sources: ¹ ONS 2010
² Wine=Still light wine (red, white, rosé)
³ Wine Intelligence online calibration study with YouGov, Sep '11, n=2,053 UK adults
⁴ Wine Intelligence, Vinitrac® UK January 2012, n=603 UK regular wine drinkers

Lower alcohol wine drinkers profiling

Buyers

Buyers profile

45%*



- Bias towards female consumers
- Mid to low income
- Drink wine frequently, about once a week

Main motivations for buying lower alcohol wine

- ✓ It's better for my health
- ✓ I enjoy the taste
- ✓ I like to stay in control

Main barriers to buying lower alcohol wine

- My favourite wine doesn't come in a lower alcohol version
- Lower quality than standard wine
- Higher price than standard wine

Lower alcohol wine drinkers profiling

Potentials



Potentials profile

19%*



- Bias towards male consumers
- Mid to high income (SEG AB)
- Drink wine frequently, more than once a week
- Core UK wine drinkers with mid involvement

Main motivations for buying lower alcohol wine

- ✓ Price is lower than standard wine
- ✓ It's better for my health
- ✓ I enjoy the taste

Main barriers to buying lower alcohol wine

- Lower quality than standard wine
- My favourite wine doesn't come in a lower alcohol version
- I dislike the taste



Lower alcohol wine drinkers profiling

Non-Buyers



Non-Buyers profile

36%*



- No pattern in terms of gender
- Mid-level income
- Drink wine frequently, similar to UK regular wine drinkers

Main barriers to buying lower alcohol wine

- Lower quality than standard wine
- My favourite wine doesn't come in a lower alcohol version
- I dislike the taste



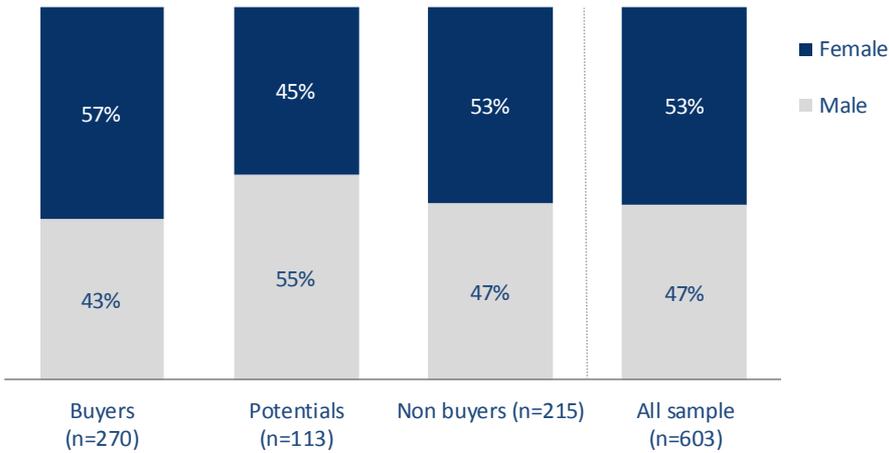
Who drinks low alcohol wine?



There are no significant gender or age differences between the three segments and the average UK regular wine drinker

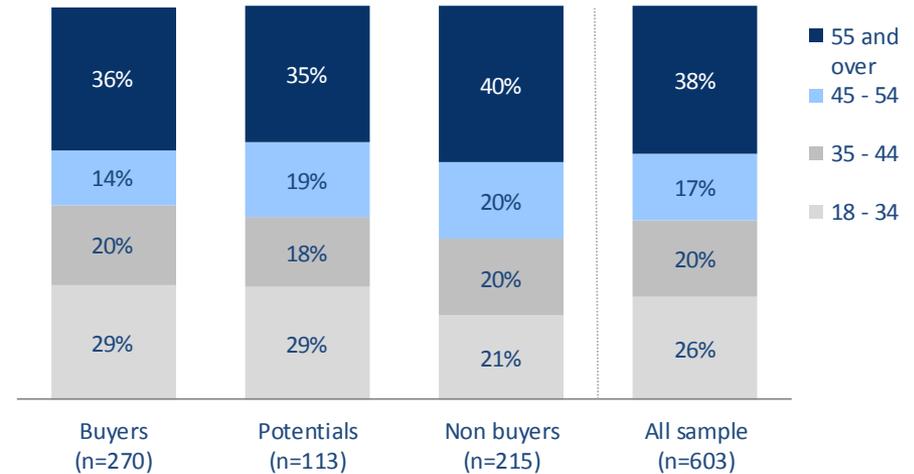
Profiling lower alcohol wine segments by gender

Lower alcohol wines = below 11% ABV
Base=All UK regular wine drinkers (n=603)



Profiling lower alcohol wine segments by age

Lower alcohol wines = below 11% ABV
Base=All UK regular wine drinkers (n=603)



- Slight bias towards female consumers among Buyers
- More male UK wine consumers among Potentials

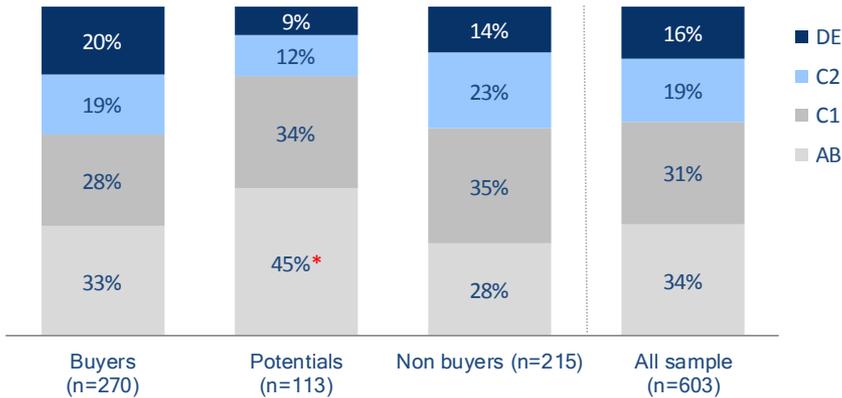
Who drinks low alcohol wine?

Potentials are more likely to be drawn from the higher SEG groups



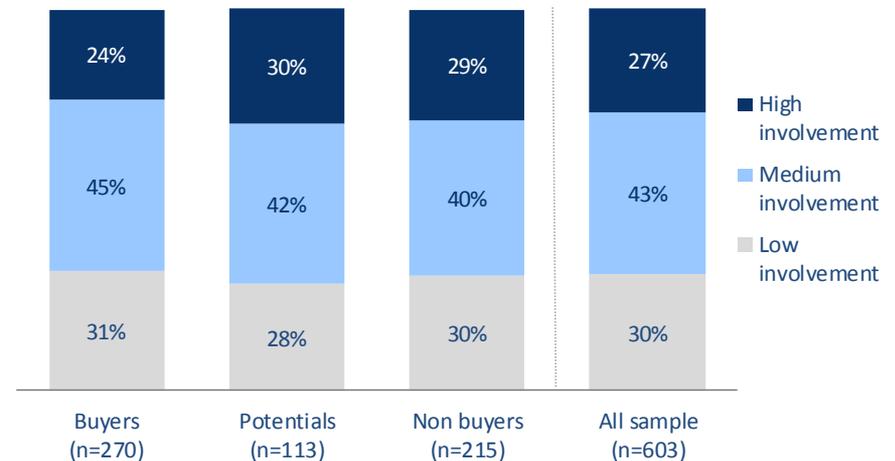
Profiling lower alcohol wine segments by UK SEGs

Lower alcohol wines = below 11% ABV
Base=All UK regular wine drinkers (n=603)



Profiling lower alcohol wine segments by involvement with the wine category

Lower alcohol wines = below 11% ABV
Base=All UK regular wine drinkers (n=603)



No significant differences between the three segments and the all sample regarding involvement with the wine category



*: statistically significantly **higher** than all sample at a 95% confidence level

*: statistically significantly **lower** than all sample at a 95% confidence level

Source: Wine Intelligence, Vinitrac® UK, January '12, n=603 UK regular wine drinkers

Who drinks low alcohol wine?



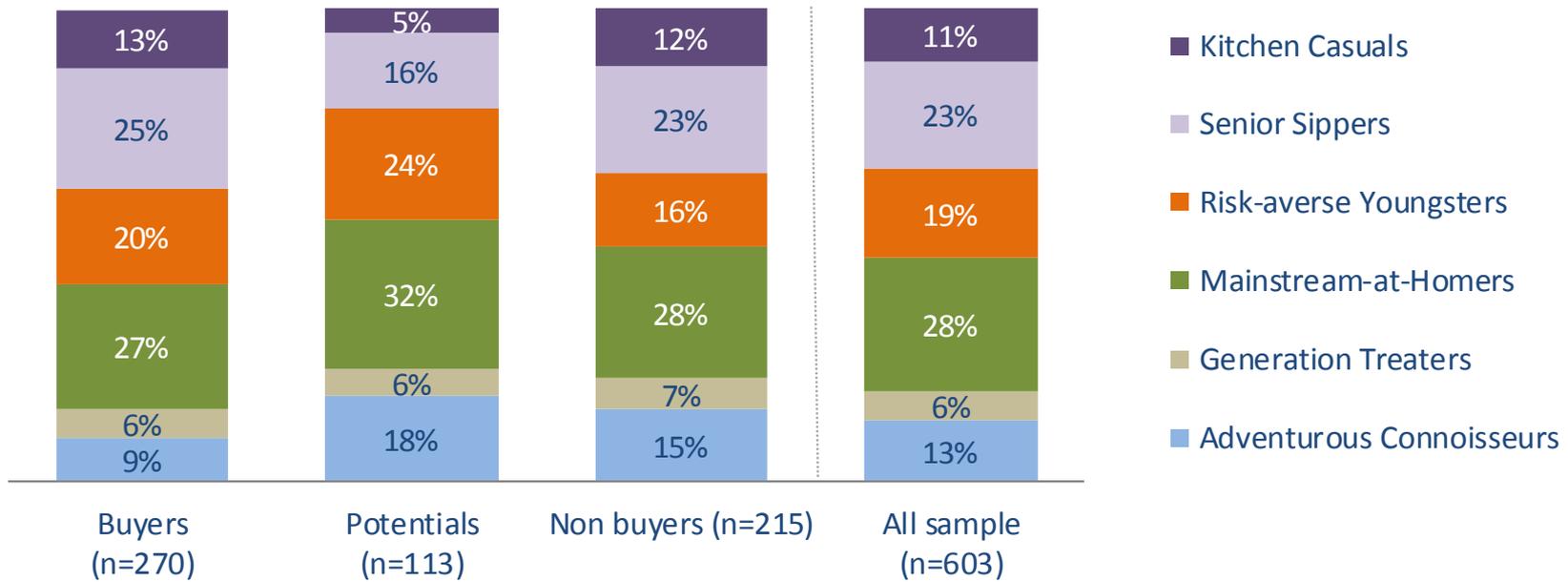
Potentials tend to be drawn from Risk-averse Youngsters, Mainstream-at-Homers and Adventurous Connoisseurs

Mainstream-at-Homers and **Adventurous Connoisseurs** in particular represent important segments in terms of total wine market volume and value (see appendix for more details on segmentation)

Profiling lower alcohol wine segments by portraits

Lower alcohol wines = below 11% ABV

Base=All UK regular wine drinkers (n=603)



Who drinks low alcohol wine?



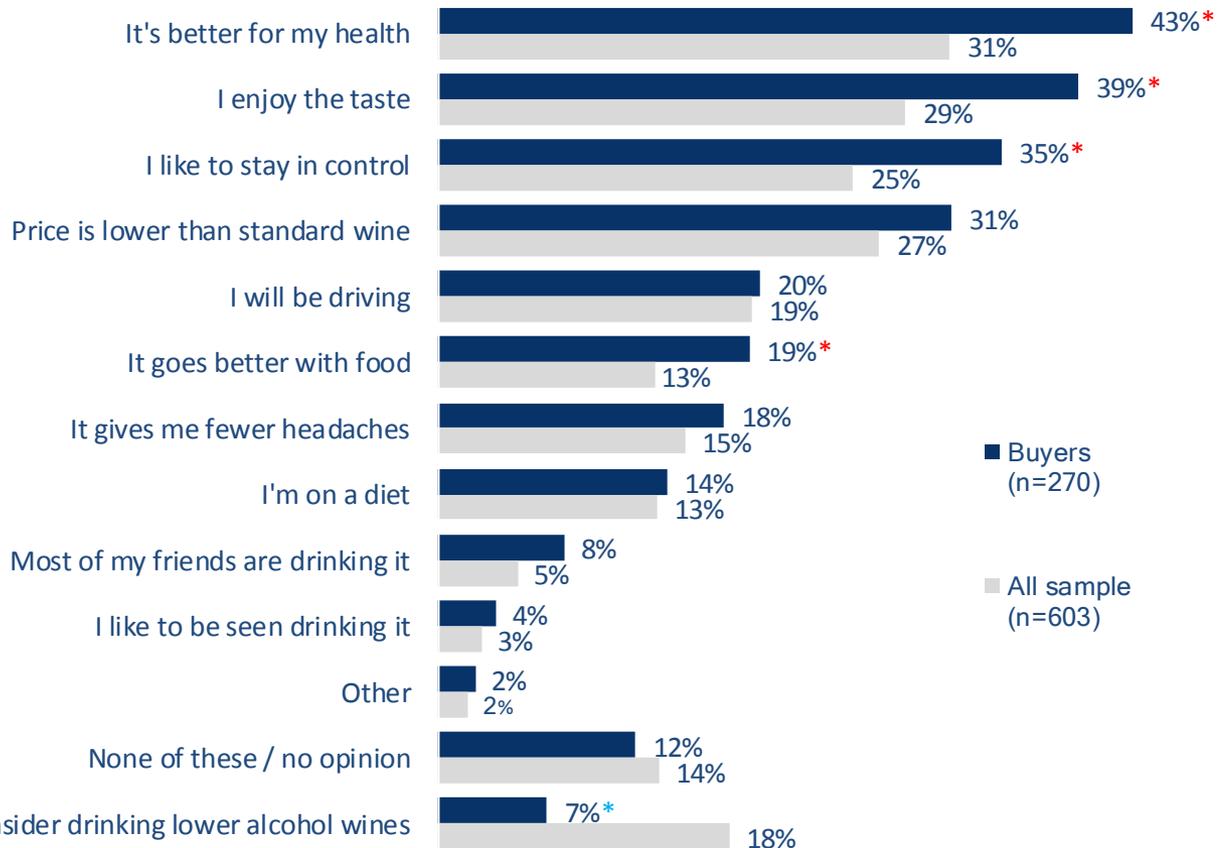
Concern for health, taste, staying in control and food matching are significantly more important motivations to Buyers compared to the average UK wine drinker

Motivation to buy lower alcohol wine - Buyer vs. All sample

% who would be motivated by the following to buy lower alcohol wines (=below 11% ABV)

Base= Buyers of lower alcohol wines in UK (n=270)

Base=All UK regular wine drinkers (n=603)



*: statistically significantly higher than all UK regular wine drinkers at a 95% confidence level

*: statistically significantly lower than all UK regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® UK, January '12, n=603 UK regular wine drinkers



Who drinks low alcohol wine?

Quality / taste of lower alcohol wine are among the biggest concerns for non-buyers

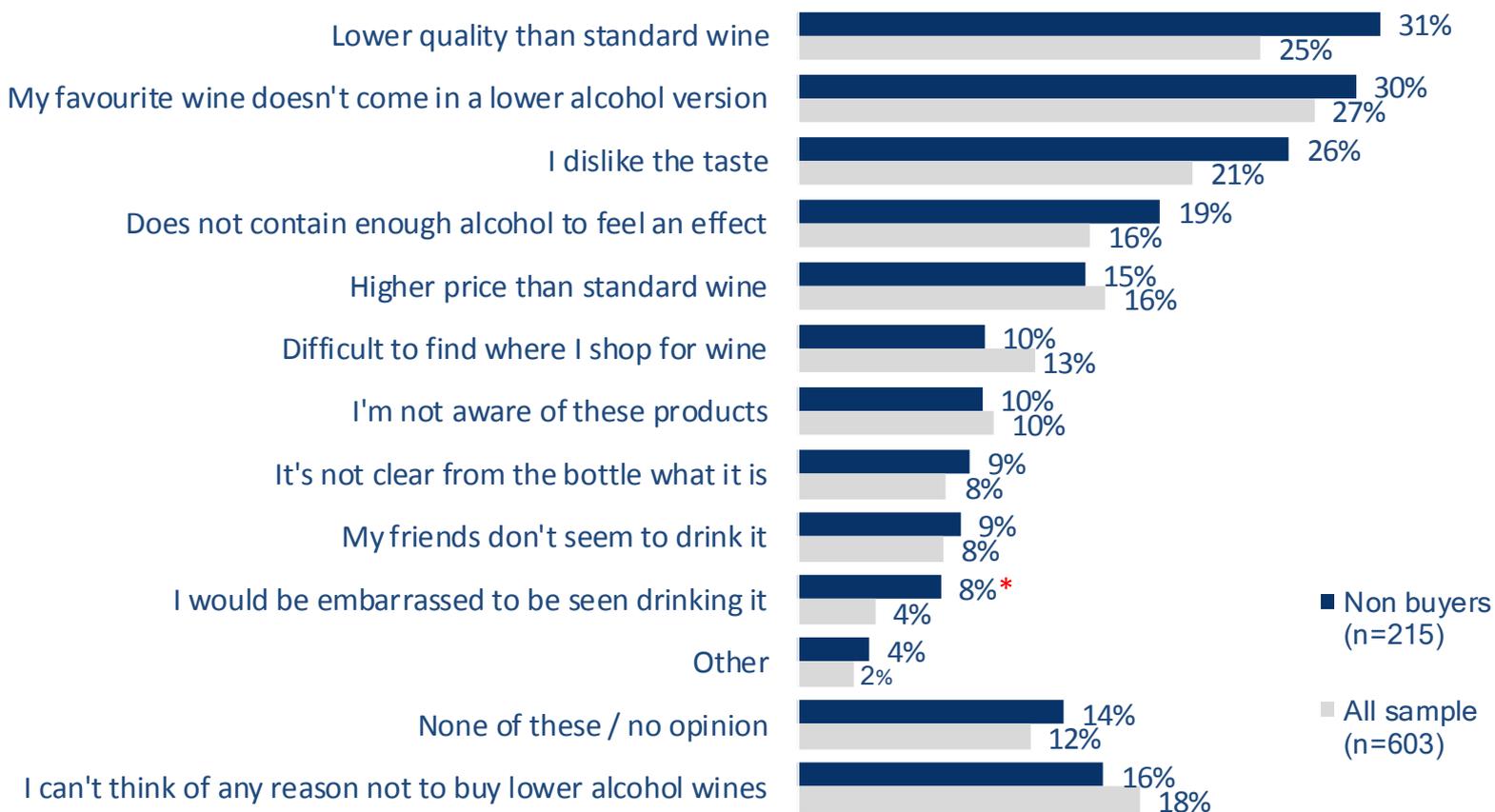


Barriers to buy lower alcohol wine - Non buyer vs. All sample

% who would see the following as a reason not to buy lower alcohol wines (=below 11% ABV)

Base= Non buyers of lower alcohol wines in UK (n=215)

Base = All UK regular wine drinkers (n=603)



*: statistically significantly higher than all UK regular wine drinkers at a 95% confidence level

*: statistically significantly lower than all UK regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® UK, January '12, n=603 UK regular wine drinkers

Who drinks low alcohol wine?

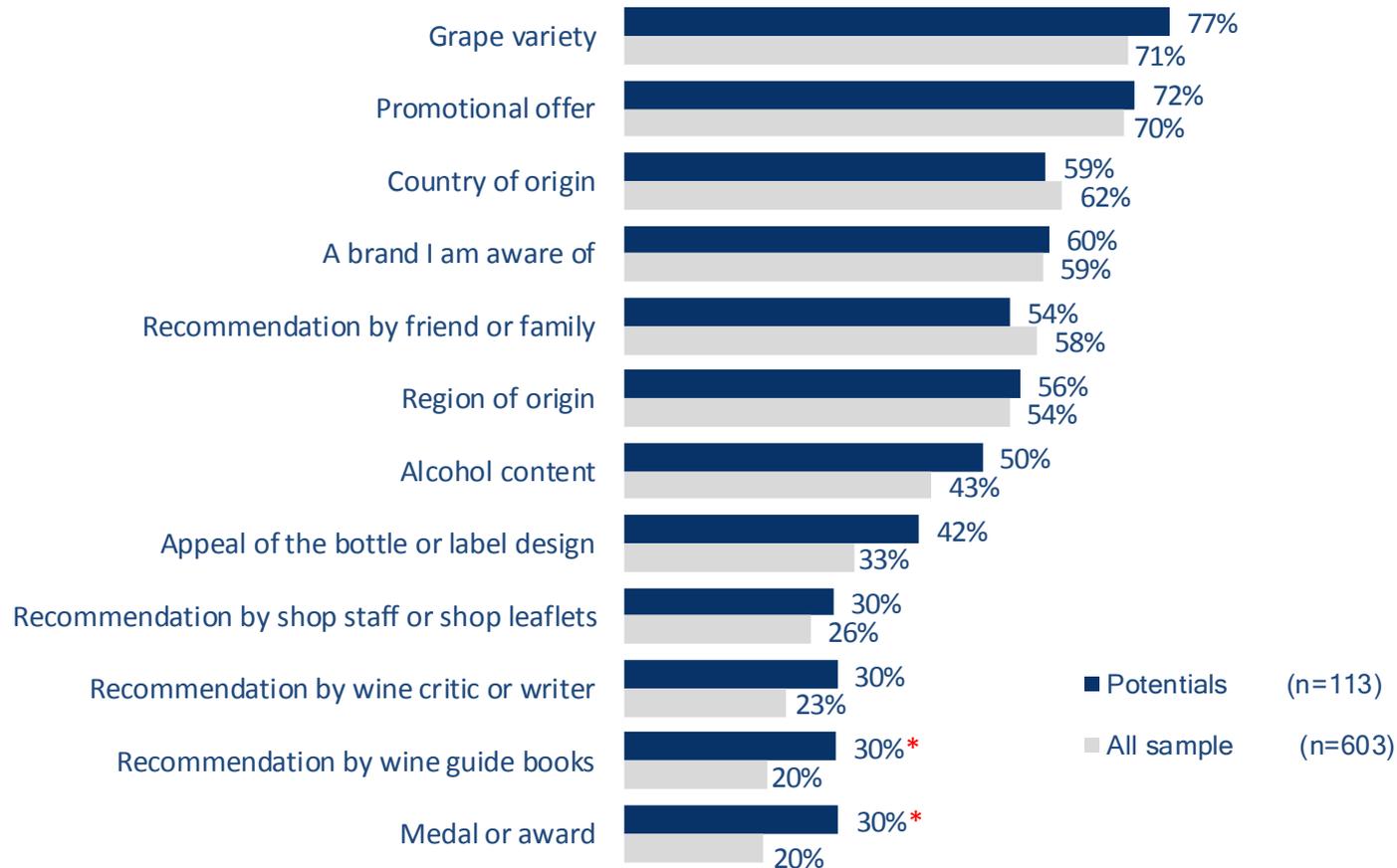


Potentials are more likely to rely on recommendations from experts when making their wine buying decisions

Important choice cues when purchasing wine

% that quoted the following "important or very important" when purchasing wine

Base=All UK regular wine drinkers (n=603)



*: statistically significantly higher than all UK regular wine drinkers at a 95% confidence level

*: statistically significantly lower than all UK regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® UK, January '12, n=603 UK regular wine drinkers

The way forward

Reassurance about taste and quality necessary for success



Although most UK wine consumers currently view lower alcohol wine as “not for them”, there is a segment of the population that is interested in the category

Sainsbury's does low alcohol wine... My flatmate drinks it...
Male, Generation Treater, London



Main concerns are around taste and quality of lower alcohol wine – strong reassurance needs to be given to consumers in order to maintain/motivate the purchase

Some people like wine and Seven Up... for these people it would go well...
Male, Mainstream-at-Homer, London



Messaging should focus on the added benefits of lower alcohol wine, rather than the absence of alcohol

If they gave me a bottle at half price I would taste it... but I wouldn't walk into a shop and choose it from the shelf...
Female, Generation Treater, London



Clear labelling is also required to avoid disappointment among consumers not aware they are purchasing lower alcohol wine

I would buy it if I knew somebody who liked it...
Female, Mainstream-at-Homer, London

If I did buy a bottle and it was 7%, I would take it back!
Female, Generation Treater, London

- INTRODUCTION p. 2
- EXECUTIVE SUMMARY p. 5
- UK MARKET IN CONTEXT p. 9
- UK CONSUMERS AND ALCOHOL CONTENT IN WINE p. 18
- LOWER ALCOHOL WINE PURCHASING BEHAVIOUR p. 25
- WHO DRINKS LOW ALCOHOL WINE? p. 36
- APPENDICES: METHODOLOGY & CONSUMER SEGMENTATION p. 49

- The data for this study was collected in January 2012
- The data was gathered via Wine Intelligence’s Vinitrac® online survey, with a sample size of 603 UK wine drinkers, meeting the following requirements:
 - Adult drinking age
 - Permanent resident of the country
 - Drinks wine at least once a month
- The survey data was post-weighted to be representative of UK regular wine drinkers in terms of age, gender and socio-economic groups
- Invalid respondents (those who sped through the survey or gave inconsistent answers to selected questions) were removed before analysis
- The distribution of the sample can be seen in the table to the right

UK		
	<i>sample size</i>	603
Gender	Male	47%
	Female	53%
	Total	100%
Age	18-34	26%
	35-44	20%
	45-54	17%
	55+	38%
	Total	100%
Seg.	AB	34%
	C1	31%
	C2	19%
	DE	16%
	Total	100%

SAMPLE SIZES

1,000 in most countries, 2,000 in the US, at least 500 respondents per survey
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

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 1,000 in most countries (US: 2,000) is logged, the survey is closed

- 2 focus groups were conducted on April 3rd 2012, each running for 90 minutes
- Groups were held in London
- Standard respondent criteria:
 - Respondents must be permanent residents of the UK and British citizens
 - English must be their mother tongue
 - Respondents must not work or being related to the following professions: Market Research, Marketing or Public Relations, Manufacture, retailing or distribution of alcohol, Advertising or design, Journalism, TV or Media
 - They must not have attended a market research group discussion or been involved in a market research personal interview in the last 12 months
- Respondents were recruited to the specifications of Wine Intelligence consumer segments: Mainstream-at-Homers and Generation Treaters (see next slide for details)

Mainstream-at-Homers

- Mixed gender
- Age: 35-55
- Drink wine 2-5 times a week, mostly at home
- Spend approximately £5 or less on a bottle of wine in the off-trade
- Low-mid level of interest in wine
- Must make the majority of wine-buying decisions in their house
- Number of respondents: 8

Generation Treaters

- Mixed gender
- Age: 25-34
- Drink wine 2-5 times a week
- Spend approximately £5-£7 on a bottle of wine in the off-trade
- Strong interest in wine
- Must make the majority of wine-buying decisions in their house
- Number of respondents: 8

Wine Intelligence consumer segmentation



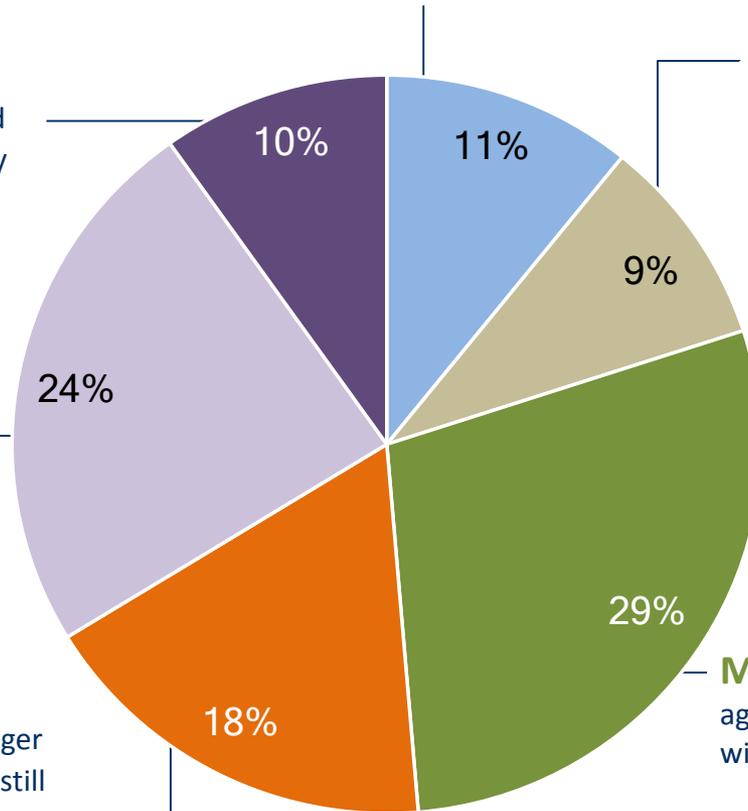
We group UK wine drinkers into 6 segments, each with a distinct relationship with wine

Adventurous Connoisseurs are middle-aged confident wine drinkers who enjoy experimenting within their wine lives

Kitchen Casuals are middle-aged and infrequent wine drinkers, who are typically unengaged with the category

Senior Sippers are older, less frequent wine drinkers with a limited interest in wine

Risk-averse Youngsters are younger wine drinkers, lacking in confidence and still growing into the wine category

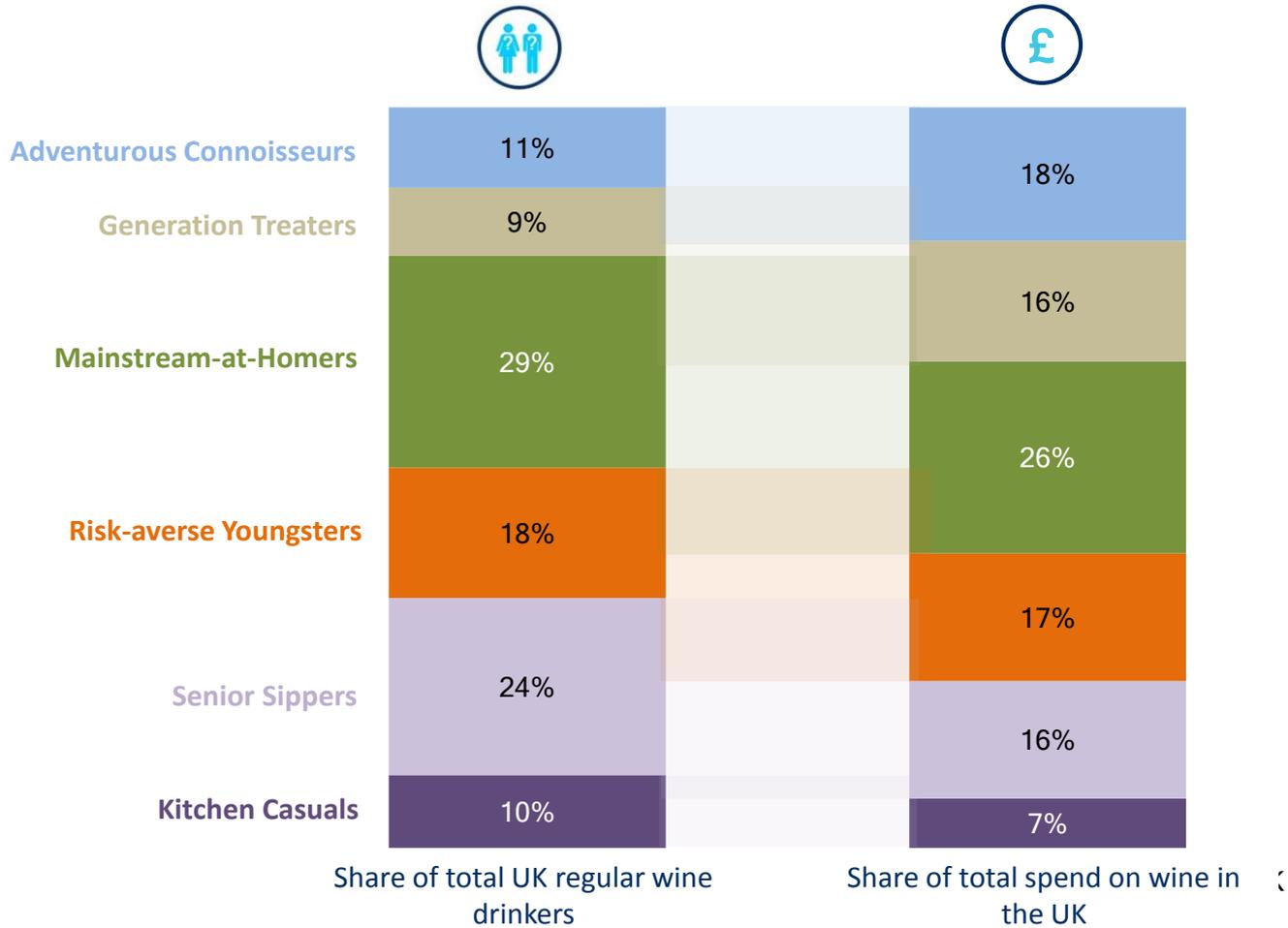


Generation Treaters are younger wine drinkers who are growing in confidence and experimenting with caution in their wine choice

Mainstream-at-Homers are middle-aged 'core' wine drinkers who view their wine drinking as a frequent treat

Wine Intelligence consumer segmentation

Comparing the segments in terms of size & value



Wine Intelligence consumer segmentation

Groups used in this report

Mainstream-at-homers

A glass of wine at the end of the day is a frequent treat

Middle-aged 'core' wine drinkers from across the UK

Generally drink wine at home, and buy wine as a part of the weekly supermarket shop

Looking for a "good value for money" everyday wine – know their brands, but will try anything on promotion



Generation Treaters

Wine is a social drink that projects an image of who they are to others

Highest likelihood among all groups to drink wine in bars and pubs

Younger, conservative wine drinkers

Growing repertoire, and enjoy trying new wines; experiment with caution and use price as a proxy for quality



Wine Intelligence

We provide a set of services for the wine industry around the world

wine intelligence research

- Vinitrac® online surveying - Unique tracking research for the wine sector
- Focus groups & in-depth interviews
- Accompanied shopping/dining, hall tests and ethnography

wine intelligence consulting

- Wine business corporate strategy
- Routes to market planning
- Due diligence for wine business

wine intelligence network

The global hub for industry thinking, sharing ideas and learning from each other

wine intelligence events

Delivering the latest insights at wine trade conferences (eg. London International Wine Fair, ProWein and Vinexpo)

wine intelligence publishing

Leading publishers of global reports for the wine sector with over 40 reports published in the past 2 years

wine intelligence academy

Our academy programme delivers teaching on MBA, WSET and MRS courses around the world

Wine Intelligence in the world:



Some of our clients include:



UK Lower Alcohol Wine

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