

All things Asia



**Breaking down a continent one wine market at a time:
Understanding China, Hong Kong, Japan, Singapore and
South Korea**

The changing faces of China's wine drinking population

The Three Tier system uncovered: how to navigate the pitfalls of the US market

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Quarter 3 (Q3) - July-September 2018
Quarter 4 (Q4) - October-December 2018

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Comment

Historians reflecting on the first two decades of the 21st century will have plenty to write about. Perhaps once they have finished with politics, war, sport and celebrity, there will be time to reflect on the seismic cultural changes that occurred at the same time, largely (but not solely) driven by the information revolution and empowerment of individuals through smartphone technology.

Our focus for this issue is Asia and its relationship with the wine category, and here too we see some mind-bending transformations in behaviour, to which statistics hardly do justice. Since 2012 the number of people drinking imported wine in China at least twice a year has almost tripled, from 19 million to 52 million, and we continue to stand by our prediction from five years ago that 75 million Chinese consumers will be participating in the imported wine category by 2022.

How they will be participating is still up for debate. As Wine Intelligence Research Director Chuan Zhou outlines on pages 13-15, the spectrum of wine drinking behaviour in China follows a pattern typical of many other developing markets: a highly-involved and educated elite at the high value end through to an occasional and reluctant low-involved group at the low end.

In between these extremes seems to be where the action is right now in China. Developing Drinkers, a younger, modish and well-educated group typically living and working in big cities, have been the drivers of consumption in China of late, harnessing the power of their smartphones to figure out what to drink and what they should be paying for it (and increasingly buying it online). Coming up behind them are the intriguing Social Newbies, a more female-oriented younger group who are being drawn into the category by its increased visibility and accessibility. How this group evolves in both size and behaviour will determine the value of the Chinese market to wine producers in the 2020s and beyond.

While China is the main game for wine in Asia, similar patterns can be seen from Japan to Singapore (see pages 6-8). Wine is becoming an accepted part of mainstream culture in societies where previously it was the preserve of elites and highly ritualised occasions. Just as my children now enjoy sushi or congee for breakfast (much to their parents' consternation), so "western" habits such as wine are normalised for a generation of Asians who can immerse themselves in world culture and adopt the parts they like. ■



Richard Halstead
COO, Wine Intelligence

News and events

The latest dispatches from the Wine Intelligence Global Team

Director of Spain and South America, Juan Park, has returned to his roots and opened our ninth Wine Intelligence office in Valladolid. Nestled in the heart of Spanish wine country with Valdeorras to the west, Ribera del Duero to the east and Cigales to the north, the province of Valladolid is also home to Rueda. With easy links to Madrid, Rioja, Galicia and Portugal, Juan will be closer than ever to clients and able to observe the Spanish wine market from close quarters.

This November saw Juan working in collaboration with Research Director Chuan Zhou and Project Manager Luis Osorio to bring a series of workshops to Madrid, Porto and Lisbon. Learning on the findings from our China Landscapes, China Portraits and Sparkling Wine in the Chinese Market reports, the China Market workshops brought a deeper understanding of consumer profiling and segmentation, regional similarities and differences in consumer behaviour and flavour and varietal preferences, and how to exploit online communication channels to cut through the noise and target consumers in China.

As our local Chinese market expert, Chuan Zhou also joined a panel of industry experts at this year's Hong Kong International Wine & Spirits Fair. Moderated by Debra Meiburg MW and joined by Patrick Schmitt MW (The Drinks Business), Clotilde Chauvet (Champagne Marc Chauvet), Sarah Abbot MW (Swirl Wine Group), Henri Fabre-Bartelli (Fabre en Provence), Chuan presented Wine Intelligence research on sparkling wine opportunities in China. Despite relatively low penetration in the market, our calibration studies estimate an urban upper-middle class sparkling wine drinking population of 29 million in China – the whole legal drinking age population of Canada alone. More detail can be found in our Sparkling Wine in the Chinese Market 2017 report.

Looking forward to the New Year, CEO Lulie Halstead is a keynote speaker at Nedbank VinPro Information Day 2018, held in Cape Town in mid-January. She will lead a talk on wine and its place in society fifteen years from now as part of a wider programme of speakers sharing their market expertise with delegates across South Africa. Lulie will work through the key factors affecting wine consumption today and offer a forecast of global trends to 2030.

This January will also see the launch of the next Wine Intelligence wave of Vinitrac®, our Global Wine Consumer Survey, where you can hear from wine drinkers in over 30 markets and get answers for your business questions from the people who matter the most – consumers. The New Year will also bring new reports from Wine Intelligence, including the latest edition of our Global Consumer Trends report, UK Label Design 2018 and Canada Landscapes 2018. A full list of 2018's reports can be found on the previous page. ■

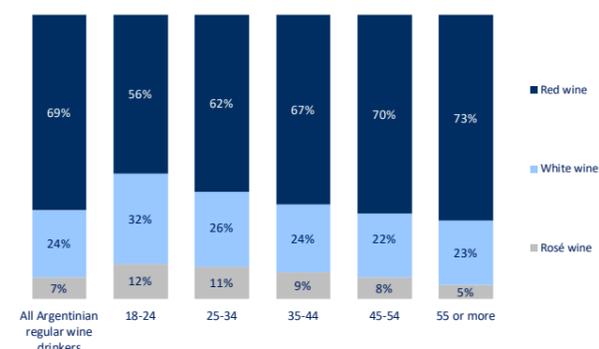
For more information about our upcoming events, Vinitrac® surveys, and our consulting services, visit www.wineintelligence.com

STATS OF THE QUARTER

Latest findings from our wine reports from around the world

Wine consumption by colour and age in Argentina

Red wine is the most popular colour amongst all Argentinian regular wine drinkers, but white and rosé wines are proving more popular with those aged under 35.



Source: Wine Intelligence Argentina Landscapes 2017

Country of origin awareness and respective consumption level in Brazil

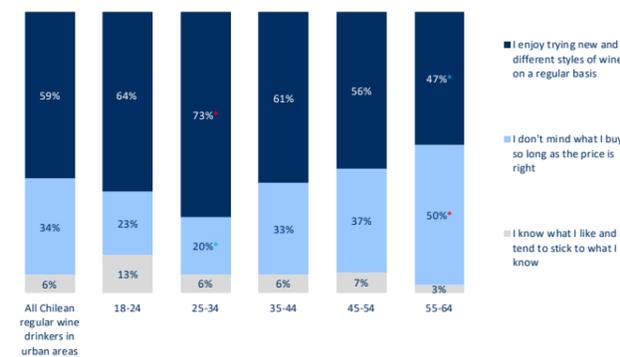
Chile and Brazil are the most successful countries of origin in converting awareness into purchase. Portugal is increasingly recognized as a dynamic player.



Source: Wine Intelligence Brazil Landscapes 2017

Attitude to wine by age in Chile

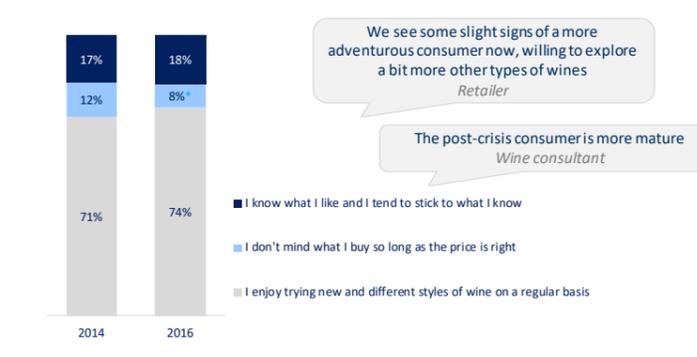
Consumers aged between 25-34 are significantly more willing to try new and different styles of wine, while older drinkers prefer to stick to what they know.



Source: Wine Intelligence Chile Landscapes 2017

Attitudes to wine in Brazil

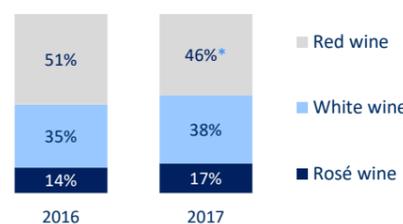
The attitude of Brazilian imported wine drinkers towards wine remains unchanged, with the overwhelming majority of consumers still in "discovery" mode.



Source: Wine Intelligence Brazil Landscapes 2017

Proportion of red, white and rosé in Germany Brand purchase behaviour in South Korea

Red wine continues to dominate the alcoholic beverage market, despite a significant fall in the proportion of regular wine drinkers who have drunk it.



*: Statistically significantly higher than all sample with a confidence level of 95%
*: Statistically significantly lower than all sample with a confidence level of 95%
Source: Wine Intelligence Germany Landscapes 2017

Once in the shop, South Korean wine consumers are significantly more likely to listen to shop staff.



Source: Wine Intelligence South Korea Landscapes 2017



East Asia explored

Japan, Singapore, Hong Kong and South Korea

In recent years, Hong Kong has established itself as a key regional hub for wine distribution across Asia. But Japan, Singapore and South Korea have their own vibrant wine markets, each with their own opportunities and challenges

This year, Wine Intelligence has dedicated more time and resources than ever to understanding the Asian wine market. While China still represents an attractive market and many producers, particularly from the New World, have their sights set on Beijing, other parts of Asia merit investigation. We have collected data from consumers in Singapore, South Korea, Japan and Hong Kong and conducted trade interviews with local experts to help put our findings in a wider context. We uncovered not only a handful of key trends that apply (more or less) across the board, but the idiosyncrasies that make each market unique.

Barriers to the success of the wine industry abound – high tax, changing demographics, oversupply – in this part of the world, where so much alcohol consumption has been dominated by domestically produced beers and spirits. But sifting through the data, we can identify opportunities too, for rosé wine in Hong Kong and cheaper sparkling wine in Singapore, strongly branded New World wines in South Korea and budget offerings in Japan. These opportunities suggest there is far more to Asia than simply China.

Market health in Asia

Still light wine consumption volumes are often used

as a barometer of a market's health. If this were accurate, it might be fair to call South Korea the laggard of Asian wine markets; in the short term they have experienced a small decline after several years of consecutive growth. We have also witnessed a contraction in the proportion of weekly wine drinkers since 2016, down from 13% in 2017 of the adult population to 10% today.

But if we take a more holistic, long-term view – for example, taking into consideration per capita consumption levels, sparkling wine volumes and market changes from 2012-2016 - it appears there is still plenty of life in South Korea. Japan and Singapore mirror South Korea pretty closely; a small contraction in weekly wine drinkers, small declines in year-on-year consumption volumes and a buoyant sparkling wine market average out to a rather stable market. Hong Kong is the most reliable of them all and boasts the highest per capita consumption rate of 5.4 litres per annum. It might sound a paltry figure, but it is the second highest in Asia, just behind its neighbour Macau.

Regional wine hubs

Macau is a strong wine market for two reasons. First, as a former Portuguese colony, wine has been part

of the fabric of the territory's culture for some time. Second, in 2008 it followed Hong Kong's example and eliminated all wine related duties. This measure has allowed both autonomous territories to become hubs for fine wine; Hong Kong's favourable agreement with mainland China makes it a doubly cost-effective and convenient hub. Singapore plays a similar role in South East Asia, where it has less stringent tax regulations than neighbouring nations. In 2015, 40% of imported wine was re-exported out of Singapore.

Over-taxed

It is a very different story in South Korea and Japan. In both nations, tax on wine makes it an unattractive proposition compared to spirits. Take Japan: a typical wine would be subject to an import tariff of 15%, a liquor tax of 80,000 JPY per 1,000 litres and then a consumption tax (VAT) of 8%. Final retail prices are in the region of two to four times higher than those in Australia.

High tax has a clear impact on consumer behaviour. Japan's Economic Partnership Agreement with Chile is a great example of how progressive tax can cause dramatic shifts; following a reduction of tariffs to 2.3% in 2007, Chile is now Japan's top wine importer in terms of volume (having overtaken France). Trade experts expect that Australia will rise through the ranks in the coming years, following an agreement in 2015 that lowered tariffs to 7.5%. But we can take nothing as a given. Japan is also set to gradually lower a 15% tariff on wines produced in the EU to zero, perhaps giving France the opportunity to reclaim pole position from Chile.

Impact of high pricing

Our research suggests that pricing has become a sticking point in all four markets; we have charted a shift to more mid- and low-range wines, predominantly from New World countries. Perceptions of Old World wine remain to be of high quality, yes, but equally high price. South Korean consumers now have access to more information about wine and wine prices overseas and are putting downward pressure on prices; the fastest growing channel here is now discount supermarkets. Singapore is experiencing a similar phenomenon, with 70% of consumers now finding promotional offers either an 'important' or 'very important' motivation when purchasing wine. We can also point to a decreasing per bottle spend when wine drinkers are eating at informal occasions in bars and restaurants and the popularity of Moscato – a lower alcohol wine, therefore subject to lower tax – as evidence that Singaporean consumers are watching what they spend.

The squeeze is also felt in Hong Kong, where strong discounts and pricing transparency from online retailers are having a profound impact on traditional bricks and mortar retailers. More consumers likely to spend between HK\$50-99 for a relaxing drink at the end of the day at home than in 2016. The on-trade isn't immune and by-the-glass offers have been particularly affected, according to local trade experts. In Japan,

SOUTH KOREA



Channel usage tracking in South Korea

Discount supermarkets are the fastest growing channel in South Korea, reflecting a price-conscious attitude shared by many semi-annual imported wine drinkers there. Almost a third of consumers now purchase through this channel.

Rank in 2017	Channel	2016 n = 1,002	2017 n = 1000	Trend
1.	Hypermarkets	80%	73%	↓
2.	Wine shop/ Shop specialised in alcohol	43%	39%	→
3.	Discount supermarkets	23%	32%	↑
4.	Duty free (At airport)	27%	24%	→
5.	Shopping malls	15%	14%	→
6.	Corner shop / Ordinary grocery shop / Convenience store	8%	10%	↑
7.	Supermarkets	5%	8%	→
	Other	2%	3%	→
	I do not buy wine to drink at home	2%	3%	→

→ Statistically no significant change compared to 2016
 ↑ Statistically significantly higher than 2016 with a confidence level of 95%
 ↓ Statistically significantly lower than 2016 with a confidence level of 95%
 Source: Wine Intelligence South Korea Landscapes 2017

In Japan, wine buying preferences are led by convenience and price, with a growing number of wines available to consumers via convenience channels.

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Online channels

The internet is facilitating price transparency, but some Asian markets have been slow to adopt online sales in a big way. Speaking with a wine educator and expert on the ground in Hong Kong, we hear that online sales are still a relatively small part of the market as it is simply so easy for consumers to go to a nearby shop. In contrast, an expert in Singapore comments there is great room for growth of the online channel as so few Singaporeans own cars. This is corroborated by our latest figures which show that 18% of Singaporean semi-annual wine drinkers report having bought wine from the internet, up from 13% in 2016. Currently fragmented, we expect the online wine retail landscape to consolidate in the coming years.

We also hope to see significant changes in South Korea. Currently, there is little legislation providing for the sale of alcoholic beverages over the internet. Only traditional alcoholic beverages such as soju can be sold on e-commerce platforms, a coup for the domestic industry but yet another obstacle for imported still light wines.

Sparkling wine

While still light wine might be struggling, sparkling wine is growing. The sparkling wine category in Japan

continues to show growth, with French sparkling imports holding the largest market share. Champagne is as strong a brand here as elsewhere; a local expert told us that “Champagne has always been strong and successful in Japan with importers never struggling to sell them”. It is still showing growth in the short term, with 47% of regular wine drinkers in Japan reporting that they have consumed Champagne in the past six months, up from 41% last year.

We also track a long-term increase in semi-annual wine drinkers indulging in Champagne. Champagne occupies a unique place in the beverage repertoire of Singaporeans, particularly in the high-rent hotels and other on-trade venues that offer elaborate brunches. But a distributor notes that a “number of those have started to move to Prosecco or Cava in other occasions too, like night life”, likely as a means to offer better value. While our trade interviews corroborate what volume data show us - Italian sparkling wine consumption is increasing 27% year on year (CAGR) – only 16% of Singaporean semi-annual wine drinkers report drinking Prosecco. This discrepancy is most likely explained by taking Occam’s Razor to the data: consumers simply aren’t aware of what they are drinking.

The same Prosecco revolution has fizzed over into Hong Kong. Sparkling wine consumption in the on-trade is significantly up, with almost a fifth of Hong Kong semi-annual wine drinkers reporting they drink sparkling wine in formal restaurants and 14% (up from 10% in 2016) drink it in casual restaurants. In price-conscious South Korea, sparkling wines from Chile are behind growth in the category. One distributor comments that in particular “Casillero del Diablo has really strong growth, partly driven by the introduction of sparkling which is supporting the brand”. ■

The Hong Kong Landscapes 2017 report puts the local wine market in a global context and reveals 12 key trends impacting consumer attitudes and behaviours.

The Singapore Landscapes 2017 report provides in-depth analysis of this important wine hub, shedding light on the Prosecco revolution, the increased importance of online purchase channels and the dominance of promotional offers as a choice cue.

The South Korea Landscapes 2017 report draws on Wine Intelligence market experience and secondary sources to support our detailed analysis of how the market is performing today

All Wine Intelligence Landscape reports are priced at GBP 2,500 each (other currencies available on request).

Visit www.wineintelligence.com/reports-shop for more information about our research or email info@wineintelligence.com

WINE INTELLIGENCE VINITRAC® JANUARY 2018

This January, Wine Intelligence is launching the next wave of the world’s largest ongoing survey of wine drinkers. Use the opportunity to talk directly to your consumers and find the answers to your business questions. Contact info@wineintelligence.com for more information, and to submit your questions.



BRAND
HEALTH

LABEL
TESTING

BESPOKE
QUESTIONS

AVAILABLE MARKETS

Argentina - Australia - Belgium - Brazil - Canada - Chile - China - Colombia - Denmark - Finland - France - Germany - Hong Kong - Italy - Ireland - Japan - Mexico - New Zealand - Norway - Peru - Poland - Portugal - Russia - Singapore - South Korea - Spain - Sweden - Switzerland - The Netherlands - United Kingdom - United States

BATTLE OF THE LEXICON

One of wine’s main challenges in addressing an Asian audience is to convey what it tastes like in a way that’s motivating and relevant

Our keen audience of Wine Intelligence report readers may have noticed that over the last year we have developed a new category of reports, focusing on how consumers describe the wines they like. Launched in a few of our major markets, Flavour and Varietal Preferences reports have provided some timely evidence that has confirmed some of the conventional wisdom within the wine trade about what consumers like, and how they describe it, but has also shown that we as an industry don’t always get it right when it comes to what consumers actually like, and how they describe their tastes.

So far, the Flavour and Varietal Preferences series has examined wine consumer attitudes in Australia, New Zealand, the USA and now Japan. The research project has uncovered two broadly applicable findings: tastes do indeed vary from country to country; and varietal preference is closely aligned to flavour profiles that consumers have an affinity for.

Our latest report, on Japanese consumer preferences in flavour and varietal, is the first to go beyond markets where English is the first language, and where the culinary and cultural traditions are radically different from the Anglophone world. The challenge in markets such as Japan is not just the fact that the flavour spectrum is different from the English-speaking model, but that the way in which consumers describe flavour

is not always easily translatable – in either direction.

When compiling the Japanese flavour list, it was obvious that we should add “umami”, a distinctively Japanese codification of a taste that is defined variously in English as “brothy”, “meaty”, “savoury”, but that has never been adequately served by the English language (hence English has co-opted the word umami itself). We included it in our list of red wine style descriptors, and were not surprised to see it was ranked as the second most appealing red style descriptor by our representative sample of regular wine drinkers in Japan.

Our list of white wine style descriptors was also tweaked to fit the cultural context. Among the more interesting findings, we found that “zesty”, as in something reminiscent of fresh citrus, did not translate directly. It was replaced by 渋刺とした, a term more closely translated back to English as ‘lively’.

There were a few surprises in the Japanese consumer analysis when it came to seeing how tastes varied by standard demographic markers. Japan’s ageing population means that over-55s now account for half of the nation’s wine drinkers, so their perceptions are important. As with their younger peers, “rich” and “umami” came top among the red wine descriptors. However, they also tracked more strongly for descriptors such as “dry”, while younger consumers were

more aligned to descriptors such as “juicy” and “fruity”.

We found it striking that style preferences appeared not to vary very much by gender, when compared to results from Anglophone markets. For example, in Australia and New Zealand men are significantly more likely to find heavier descriptors (full-bodied and rich) more appealing than women. There is no such noticeable difference between the sexes in Japan.

The impact of local cuisine is clearly present in the rankings of descriptors in the Japanese market beyond the aforementioned umami. In Japan’s culinary tradition, vinegar is used to tenderise meats, pickle and preserve, prevent discoloration of vegetables and rice and create complexity in sauces. Yuzu, a sour and tart citrus fruit known for retaining its high acidity even at high cooking temperatures, is also a staple. This carries through to flavour descriptors: the most appealing are descriptors that imply natural, fresh acidity, such as citrus, grapefruit and crisp.

As we build our reporting in this area, Japan has definitely stood out as being a bit different. However some more universal, and perhaps less welcome, truths are starting to emerge. Chief among them is the bafflement and rejection of some terminology that is bandied about by professionals. Relatively few consumers in any market so far seem to understand or appreciate flavour characteristics such as “vanilla”, “leather”, “nutty” and “liquorice”. However, those of us within wine whose job it is to write back labels should take heart: the rising generation of wine consumers (i.e. those under 35) are significantly more likely to understand a concept such as “toasty” than their elder brethren. ■

The Flavour and Varietal Preference in the Japanese Wine Market 2017 report provides insight to assist those in the industry to understand the varietal and flavour descriptor preferences of Japanese regular wine drinkers, focusing on what types of grape varieties they are consuming, what their favourites are and which specific wine style and flavour descriptors they find both appealing and unappealing.

Flavour and Varietal Preference in the Japanese Wine Market 2017 price: GBP 1,000 (other currencies available on request)

Celebrating 15 years

In 2018, Wine Intelligence raises a glass to our 15th year, celebrating with a global tour, Brand Power Index, international workshop series and more



Next year, Wine Intelligence celebrates 15 years of delivering consumer and market insights to wine businesses across the globe, growing to a team of almost 30, spread across 9 countries. We have conducted research projects in more than 30 different wine markets and ten years ago, we launched Vinitrac®, the world's largest ongoing consumer survey of wine drinkers around the world, today operating in 31 countries. Our Reports Shop delivers syndicated research insights to hundreds of clients a year, and offers a library of over 90 reports, spanning 29 different wine markets. We have expanded our global presence with offices in France, Brazil, Spain, Germany, Italy, Australia, South Africa and the US in addition to our head office in London.

To mark the occasion of our anniversary, we will be embarking on a series of activities which speak to our long-standing desire to bring more clarity and insight to the complex interaction between wine and its global markets, and – we hope – deliver a bit of value back to our clients to say thank you for supporting us for the past 15 years.

If you would like to know more about our anniversary activities or would like one of the tour stops to be with you, please get in touch with lulie@wineintelligence.com.

15 for 15 Global Tour

The Wine Intelligence global tour will see CEO Lulie Halstead, COO Richard Halstead and members of our senior global team conducting client briefings in 15 key markets during 2018. The briefings will reflect on the last 15 years in the global wine market and look forward to how today's trends will shape wine over the next 15 years. These briefings will review important lessons from case-studies of the most powerful

wine brands in the world, and enable wine businesses to integrate consumer trends into business strategy.

Wine Intelligence will provisionally visit:

- Australia
- Brazil
- Canada
- Chile
- China
- France
- Germany
- Hong Kong
- Italy
- New Zealand
- Portugal
- South Africa
- Spain
- UK
- US

The Wine Intelligence Brand Power Index 2018 report

Scheduled for publication in the first quarter of 2018, the Wine Brand Power Index is a comprehensive ranking of the most powerful brands operating in 15 key wine consumption markets. Our analysis of 5 brand health measures (consumer affinity, awareness, consideration, purchase and recommendation) will reveal which wine brands consumers most value.

Brand Power, Innovations and Trends Workshop Series

This global series of workshops will combine the findings of the Wine Intelligence Wine Brand Power Index 2018 and our Global Consumer Trends 2018 report. Scheduled for publication in early 2018, Global Trends 2018 is our annual review of the latest trends driving consumers behaviour and how these trends will impact the wine category. We will consider how the most powerful wine brands are embracing innovation and new product development in order to keep ahead

of the game.

Workshops are provisionally planned to be held in Australia, Brazil, Chile, Germany, Italy, Portugal, Spain, the UK and the US.

15 wines that have changed the world in the last 15 years

Five years ago, for our 10th Anniversary, we asked wine industry leaders to nominate 10 people who had changed the wine industry for the better in the previous 10 years. This time, our focus is the product itself, and we are asking global wine leaders to nominate wines that they believe have had a significant and positive impact since 2003. It could be they have brought more consumers into the category, or managed to create a new market where none existed before. We will be revealing the results in early 2018.

15th Anniversary Edition WineIQ magazine

We will be publishing an anniversary edition of WineIQ in March 2018. Featuring highlights from the last 15 years and our predictions for the years to come. The anniversary edition will distil key findings of the Wine Intelligence Wine Brand Power Index and consumer trends. ■



For more information about our upcoming workshops, reports and global studies, visit www.wineintelligence.com or contact us at info@wineintelligence.com

Meet the global team



LULIE HALSTEAD
CHIEF EXECUTIVE OFFICER

Lulie is co-founder and CEO of Wine Intelligence and regarded as a leading thinker in the world of wine business strategy. She specialises in qualitative research practices. She is a frequent and valued speaker at many international wine industry and academic conferences around the world. She holds a Masters in Marketing from Kingston Business School, and is a Certified Member of the Market Research Society.



JUAN PARK
COUNTRY MANAGER,
SPAIN & SOUTH AMERICA

Juan has worked at Wine Intelligence since 2007 and has been Director for Spain and South America since 2016. He heads up the team responsible for managing clients from Spain, Portugal, Chile and Argentina. He came to London in 2005 to study for his MSc in Social Research Methods from the LSE. Juan also holds the WSET Advanced Certificate in Wine and Spirits and the Market Research Society's Advanced Certificate.



WILHELM LERNER
COUNTRY MANAGER,
GERMANY, AUSTRIA & SWITZERLAND

Wilhelm has over 20 years of wine marketing experience working for Segnitz import in Germany, Newton Vineyards in California and numerous projects for the wine industry. He can draw on a comprehensive competence base from his position as partner of Arthur D. Little, a leading global management consultancy. He holds a degree as Engineer in Winemaking and Viticulture from the Fachhochschule Wiesbaden/Geisenhem.



PIERPAOLO PENCO
COUNTRY MANAGER,
ITALY

Pierpaolo is a wine consultant to the Italian wine industry, as well as a wine marketing lecturer. With a master's degree in tourism at MIB Trieste School of Management, one of the major Italian business schools, he has decided to combine his skills with his personal passion for wine. He is currently the Managing Director of the Wine Business courses at MIB Trieste School of Management, where he is in charge of the Wine Marketing and Tourism lectures.



JEAN-PHILIPPE PERROUY
COUNTRY MANAGER,
FRANCE

Jean-Philippe is one of France's leading wine industry researchers. He holds a PhD in wine marketing from the Agronomic Engineer School of Montpellier, where he was a lecturer in wine marketing and accountancy for five years before joining Wine Intelligence in 2005. On returning to France in 2012, he opened the company's office in Avignon, where he has led numerous research and strategy projects in over 20 markets.



BEN LUKER
BUSINESS EXECUTIVE,
AUSTRALIA & NEW ZEALAND

Ben joined Wine Intelligence in December 2016 after happily exploring nearly every aspect of the wine industry. His passion for wine has seen him hold sommelier roles in fine dining restaurants, act as an area sales manager for a major Australian winery and has most recently been immersed in the world of fine wines at one of Australia's most esteemed independent wine retailers. He holds the WSET Advanced Certificate in Wines and Spirits.



ERICA DONOHO
COUNTRY MANAGER,
US

Erica is responsible for coordinating research and strategy projects in North America. Having worked for 8 years as a litigation attorney, Erica developed her examination and interviewing skills as well as her ability to collect, analyse and present data. Erica has travelled with her family to vineyards. Erica holds the WSET Level 2 qualification.



RODRIGO LANARI
COUNTRY MANAGER,
BRAZIL

Rodrigo is a market consultant to the Brazilian wine industry. He has extensive experience dealing with distribution at different channels, team management and wine branding. He has a bachelor degree in Business Administration at Fundação Getúlio Vargas and is the first Brazilian to hold a Wine MBA at Bordeaux Management School (Kedge).



DIMITRI COUTRAS
COUNTRY MANAGER,
SOUTH AFRICA

Dimitri runs operations for Wine Intelligence in South Africa. He holds an Honours degree in Marketing and Economics from the University of Cape Town. Dimitri has held several leading positions in marketing and in the wine & spirit business in South Africa, being responsible for the marketing of both local and international brands for large South African producers.

Portrait of a nation

The urban Chinese wine drinking population is undergoing rapid changes. Our China market expert and Research Director Chuan Zhou reveals how.

Everyone is different. This is especially true for the wine category, where personal tastes and preferences can vary significantly from person to person. However, within this seemingly disparate blend lie observable patterns of behaviour, which can be categorised and measured. This insight is crucial when trying to understand, at an aggregate level, who your customers might be, why they might be interested in buying what you sell, and how to find them.

Such insight becomes all the more valuable for markets like China: geographically immense, with a fast-growing imported wine drinking population to match, the landscape is changing so rapidly that it is hard to keep up. Since we last published our market segmentation, China Portraits, in 2015, a lot has happened. The latest edition, published in November 2017, suggests that the seismic changes in the market that have occurred since our first edition in 2012 are largely down to the behaviour of younger, well-educated, urban consumers who have entered the wine market in the past decade, with a supporting role from those pioneers who were drinking wine 10 years ago, and are now influencing the wine choices of this younger generation.

Blending factor and cluster analysis (based on a representative sample of Chinese urban upper-middle class imported wine drinkers) and data gleaned from consumer in-depth interviews and market experience, the China Portraits 2017 report charts the evolution of consumer wine behaviour and attitudes in China. Trawling through thousands of data points collected on a diverse range of wine-drinking behaviour and wine attitudes, patterns begin to emerge, and we begin to sketch the outline of our segments. Adding qualitative data brings more colour and life to the Portraits, until we have a clear picture. Now defined, our Portraits provide



A number of trends identified in the Wine Intelligence China Landscapes 2017 report, such as the growth of white wine, sparkling wine and wines from the New World, are being driven by shifting demographics in China's urban areas.

a detailed understanding of who consumers are, why they drink wine, what they drink, where and how they buy their wine and, ultimately, how businesses can leverage this understanding to better target their consumers.

The wealth of consumer data we have accumulated, going as far back as 2011, allows us to map out changes in the composition. In 2012, we estimated the size of the urban upper-middle class imported wine drinking population at 19 million. Today, that figure has almost tripled to 52 million. To get a sense of scale, China has added the equivalent of the wine drinking population of the UK to the world market within the past 6 years. Our analysis suggests this population breaks down into six distinct Portraits, each defined by their own wine buying behaviour and attitudes. They are:

Adventurous Connoisseurs

Adventurous Connoisseurs look like a wine brand's dream target market. High-spending frequent wine drinkers with an experimental streak, they enjoy the widest beverage repertoire and agree that wine is important to their lifestyle. For them, price is an indicator of two things: first, quality and second, legitimacy. The fear of counterfeit or fake wine is such that many consumers

are happy to trade up for the guarantee of a genuine wine.

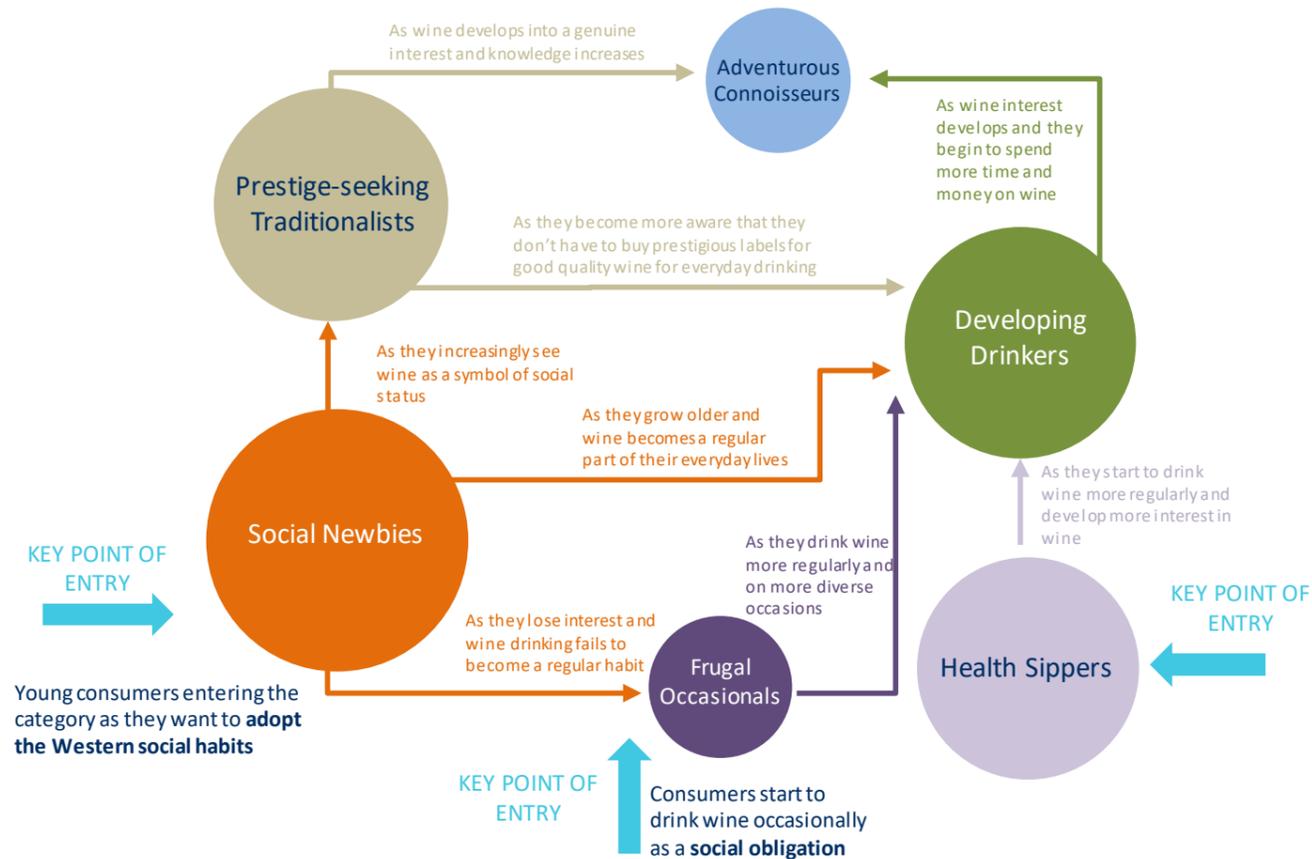
They are more likely to come from Tier 1 cities and often have had exposure to foreign cultures through work or travel. We have charted the evolution of the Adventurous Connoisseur over the last two years: they have increased in terms of population, share of volume and value. They are getting older, with a significant increase in the proportion of those aged 40-54. And they are more experimental, consuming more wines from Chianti, Châteauneuf-du-Pape and Rioja.

A word of warning here: Adventurous Connoisseurs in China are perhaps not quite as adventurous as we might expect in other markets. In fact, their choices look rather pedestrian. But here context is important. A developing market cannot expect to have the same level of competition and variety seen in mature markets like the USA and the UK. There, 'adventurous' could describe drinkers plumping for skin contact wines and lesser known indigenous varietals. In China, 'adventurous' often means a wine consumer who ventures outside the comfort zone of French wine.

Unsurprisingly, promotional offers and packaging are not as influential on their

CHINA PORTRAITS

Segment migrations: how consumers enter and progress through the wine category in China



Source: Wine Intelligence China Portraits 2017

purchasing behaviour. Instead, region of origin and quality indicators such as medals/awards and appellations provide reassurance. Members of this Portrait group might find themselves shifting into the Prestige-seeking Traditionalist Portrait when they begin to trade up for significantly more prestigious wines.

Prestige-seeking Traditionalists

These are conservative, high-spending consumers who predominantly drink wines from prestigious origins, and choose imported wine because of the implied prestige and social status that comes with it. They favour traditional French regions such as Bordeaux and Burgundy, and tend to order more expensive wines when serving guests. A female Prestige-seeking Traditionalist puts it best: "If I order Chilean or Spanish wine, the guests wouldn't believe it tastes good. So, I only order Bordeaux to serve clients as they only know about Bordeaux."

That said, we note that they are drinking more Chilean wine than two years ago. It is likely that anti-corruption law has disproportionately affected the consumption habits of Prestige-seeking Traditionalists

and driven them to trade down for cheaper wines. No longer able to leverage big business budgets to buy extravagant gifts and increasingly spending their own cash, some are expanding their beverage repertoire and experimenting with new countries and regions of origin, at lower price points – they are, essentially, on the road to being Adventurous Connoisseurs.

Our studies suggest that the same legislation has also led to the decline of the business dinner and thus to a shift in drinking occasions; Prestige-seeking Traditionalists are increasingly purchasing wine for personal consumption and everyday events, rather than formal meals.

Compared to 2015, this segment has lost some of their share of population, volume and value. We have also witnessed a decrease in the 40-54 age group, who used to represent the largest share of consumers in this segment.

Developing Drinkers

These drinkers are developing a habit of drinking wine simply because they like the taste and it facilitates

relaxation. They have a growing interest in wine and are beginning to see wine as an important part of their life; note that finding a wine that suits their taste is most important to them. While red is still the colour of choice, they are drinking more rosé and sparkling wine, and wines from New Zealand and Chile are increasingly popular. Like many Portraits finding their feet in the wine category, they are rather price-conscious consumers. Their wine buying behaviour markedly more influenced by promotional offers and discounts today than in 2015; over the same period, they have begun to move away from hypermarkets to online retailers who can best meet their need for a bargain.

Social Newbies

This Portrait group consists of younger consumers who are new to the wine category. They see wine as a social drink with connotations of a Western, cosmopolitan lifestyle. They are young professionals in the early stages of their career, new to the category and as a result lack knowledge of wine – that's why they rely on recommendations and are influenced by label design. While we can see a slight increase in population, their shares of volume and value have remained largely untouched as they tend to purchase wine on promotional offers. As inexperienced drinkers, shop staff recommendations also hold more power over Social Newbies than other Portraits. They are also drinking more wine from Australia and Chile, and more rosé and sparkling wine (albeit from a very small base) – perhaps a consequence of the increase in the proportion of women who now make up this segment.

Health Sippers

Price-conscious drinkers with a narrow beverage repertoire, they typically drink wine only occasionally, and usually for its perceived health benefits. Once dominated by middle-aged women, more men have entered this segment since 2015. They are a decidedly unadventurous sort: their purchases are driven by brand familiarity and price, and they tend to stick to wines they know. Over the last two years, Health Sippers have become slightly more engaged with the category and now appear to be more influenced by front label design, back label information and recommendations from shop staff than they used to.

Frugal Occasionals

These are low-involvement, infrequent wine drinkers who drink wine when celebrating special occasions. Like other price-sensitive consumers, they look for promotional offers and are influenced by recommendations from friends, family and shop staff. They represent less than 2% of the total volume of wine consumed in China, and 1% of the total spend. Since 2015, the internet has become the top channel for wine purchase. As they are fairly indifferent to quality but want to minimise cost and time, they are also more likely to shop in discount supermarkets and convenience stores.

"Adventurous Connoisseurs can be considered as the apex Portrait. All roads lead there, so long as consumers become more engaged in the category, more comfortable experimenting, less motivated by price and more influenced by value and quality."

However, we have seen a slight uptick from 2015 to today in the proportion of Frugal Occasionals who value taste and quality as 'important' or 'very important' when selecting a wine to buy.

A glance at the flow diagram on the opposite page, shows the migration patterns outlined above in more detail. Typically, there are three main entry points consumers come through when starting their wine journey. Young consumers are likely to start off as Social Newbies, entering the category as they want to adopt Western social habits. Whether they lose interest or get bitten by the wine bug, plus what they do for work, often determines where they go next: some become Prestige-seeking Traditionalists, using wine largely on formal occasions; Developing Drinkers adopt wine as a more everyday habit; and Frugal Occasionals remain part of the category more begrudgingly, occasionally drinking wine as a social obligation. It is unlikely that wine will become a passion for them, but as their beverage repertoire opens up and if they begin to drink a little more frequently, they can migrate into other groups.

Then we have the Health Sippers, consumers who start drinking (mostly) red wine for its perceived health benefits. They may well be quite content as occasional drinkers, but those who indulge a bit more frequently and begin to learn more about the category can tip over the edge and become Developing Drinkers.

Adventurous Connoisseurs can be considered as the apex Portrait. All roads lead there, so long as consumers become more engaged in the category, more comfortable experimenting, less motivated by price and more influenced by value and quality. Consumers may take years to get here (or never get beyond their Social Newbie status), but as the market normalises we expect to see more and more younger experimental imported wine drinkers. ■

The China Portraits 2017 report is designed to enhance marketing strategy development and provide wine businesses with a reference that can be applied to individual brands, categories and companies.

It identifies six distinct types of Chinese drinkers of imported wine by performing a cluster analysis of their wine consumption frequency, typical spend on a bottle of wine, and their involvement in the category.

The report allows you to gain a comprehensive understanding of these groups, thus helping you to identify who your target customers really are, and giving you the tools to plan the most effective ways of reaching them.

China Portraits 2017 price: GBP 2,500 (other currencies available on request)

Visit www.wineintelligence.com/reports-shop for more information about our research or email info@wineintelligence.com



Being there

Unlocking the value of the cellar door

Studies conducted in the field of psychology show, from a scientific perspective, what we instinctively know: good experiences make us happy. Researchers in the US go as far as to say that ‘the enjoyment of experiences play a vital role in people’s lives and well-being, shaping our identities and contributing to our life satisfaction’⁽¹⁾. What the academics tell us, and what is driving a lot of brand strategies these days, is something the wine industry has instinctively (if not overtly) known for decades. If you stick someone in your vineyard, show them the barrel room, tell them the back story and give them some nice wine (and possibly food), their impression of your wines, the region, the country and possibly wine in general will be forever altered. Perhaps, then, this is a good moment to revisit an old wine trade argument: is the cellar door a sustainable and potentially profitable part of wine businesses - or a distraction from the real business of growing and making wine?

In California, wine tourism is estimated to contribute \$2 billion annually to the local economy. It was notable that the Napa Valley Wine Train was running just weeks after the devastating fires of October 2017, carrying local dignitaries and visitors to show the world that

Napa is back and open for business – whatever the devastation from the wildfires, wine country will suffer far more economically if visitors do not return. The importance of ensuring the continued flow of tourists is essential to Napa, with a recent study conducted by the Silicon Valley Bank suggesting that 45% of wine revenue in Napa County comes from direct sales, much of which is wine purchased at the tasting room.

Collective investments, such as wine route promotions, build on local collaboration, which is increasingly seen as one of the key success factors for wine tourism. For example, more than 50% of Australian visitors to a wine region typically visit 3 or more individual cellar doors per wine trip (Wine Intelligence Vinitrac®, Australia 2017). The opportunity to ‘make a day or weekend’ visit, particularly for domestic visitors, is a key motivator when it comes to selecting a set of destinations.

The Texas Hill Country Wineries, a collective of 52 wineries clustered not far from the major urban centres of Austin and San Antonio, co-promotes wine trails and between the wineries, welcomes over 5 million visitors annually, capitalising on visits from locals, who can become both repeat

visitors and also purchase remote from the winery more easily after their trip. Collaboration can also be seen in a new initiative, The Barossa Cellar, which was conceived by the Barons of the Barossa, a local philanthropic body in the valley of the same name in Australia, who will build a not-for-profit regional wine museum, co-funded by Barossa businesses and set to become a regional centre for the Barossa wine community, including the regional body of the Barossa Grape & Wine Association.

A further success factor for wine tourism is creating engaging and memorable experiences, and these experiences are not always centred around tasting wine. Amongst Australian visitors to cellar doors domestically, 31% of these visitors did not taste wine whilst visiting the cellar door, and this rises to more than 50% for visitors aged between 25-34 (Wine Intelligence Vinitrac®, Australia 2017). These visitors may well drink wine with a meal during their visit, but they are not necessarily motivated by a more traditional counter style wine tasting experience. When they do taste wine, visitors are often looking for tastings that have evolved to focus on personalised flights, hands-on blending and an increased and expanded range supported by devices such as Enomatic

and Coravin. For these visitors, a positive experience often centres around enjoying food, typically casual and shared, and the opportunity to purchase different and unique wines and other local produce (Wine Intelligence Vinitrac®, Australia 2017).

A key impression and memory that is left with winery visitors is that of the cellar door staff. Engaging and well-informed cellar door staff are increasingly critical for engaging visitors, as the overall experience is impacted heavily by their first point of contact with staff. As visitors become more knowledgeable and experienced with wine, the expectations of cellar door staff has increased, expecting not only knowledgeable staff, but culturally diverse and multi-lingual staff.

In terms of which regions are visited, the evidence from Australia shows that the ‘main’ regions are visited by a larger proportion of Australian wine tourists, but these regions are visited less frequently than smaller, perhaps more ‘local’ regions, which have a higher loyalty for visitation.

The positive news for cellar door operators is that it is younger consumers, aged 25-34 that are the most engaged with the experiential tourism that the wine sector can deliver. In both the US and Australia, winery visitors in this 25-34 age group are more likely than others to both visit wineries and purchase wine whilst they are there. In the US for example, these younger consumers are increasingly attracted to winery visits in states such as New York, Washington and Texas (Wine Intelligence Vinitrac®, US 2016)

These Millennial visitors are more likely to also take photos whilst at a winery and post these across a number of platforms. Not only does this help promote both a region and a specific winery via peer recommendation (the most trusted source), but the simple act of taking a photo enhances our positive experience. The US experience research also shows that the simple act of photo-taking can increase our enjoyment of an experience by focusing our attention onto the experience, particularly on aspects of the experience worth capturing. As a result, photo-taking leads people to become more engaged with the experience and carry a more positive memory of that experience with them.

Based on this evidence, perhaps it is good news then that, according to the New York Times, we took 1.3 trillion photos worldwide in 2017. ■

The Cellar Door, Online and Wine Club Purchasing in Australia 2017 report explores winery and cellar door visitation in Australia, as well online purchasing and via wine clubs.

Report price: GBP 1,000

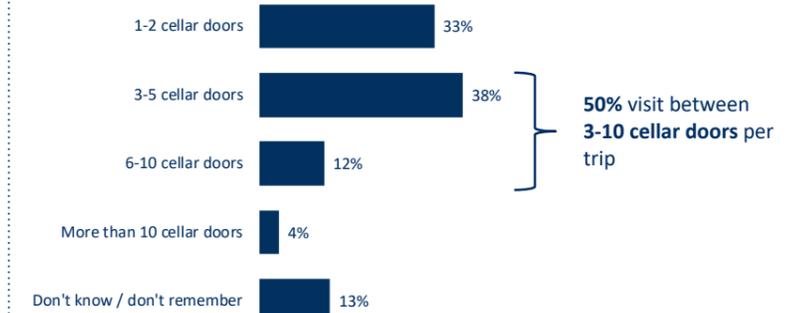
The US Direct-to-Consumer 2017 report is also now available.

Report price: GBP 1,000 (other currencies available on request)

THE AUSTRALIAN CELLAR DOOR

Cellar door visits per wine trip

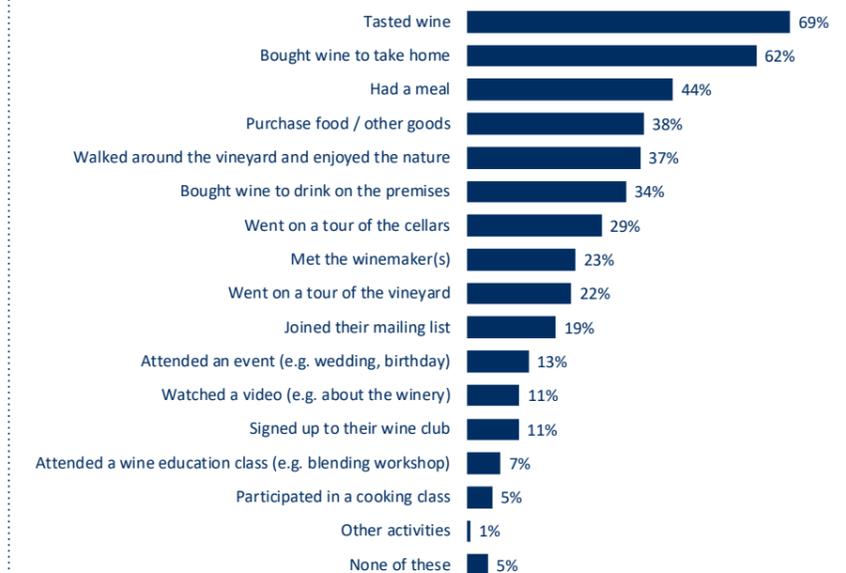
Over a third of regular wine drinkers in Australia who go on a wine trip are most likely to visit 3-5 cellar doors. Another 12% will go on to visit 6-10 cellar doors in total.



Source: Wine Intelligence Cellar Door, Online and Wine Club Purchasing in Australia 2017

Activities while visiting a cellar door

The most common cellar door activities are connected to food and outdoor experiences - and, of course, wine tasting.



Source: Wine Intelligence Cellar Door, Online and Wine Club Purchasing in Australia 2017

Expert opinions

Local industry experts offer their views on the Australian cellar door, highlighting the importance of support from tourist boards and of experienced, engaging staff.

We work with local and state-based tourism organisations, as well as chambers of commerce and business groups, all the ways that we can spread that word around to visit us
General Manager, Cellar Door, Australia

The key to cellar door success is having very knowledgeable and engaged staff. Having people who know what they are talking about and are engaging customers make it a memorable experience. You can have the best location in the world, but if you have a staff member going through the motions then it doesn't actually amount to that much
General Manager, Cellar Door, Australia

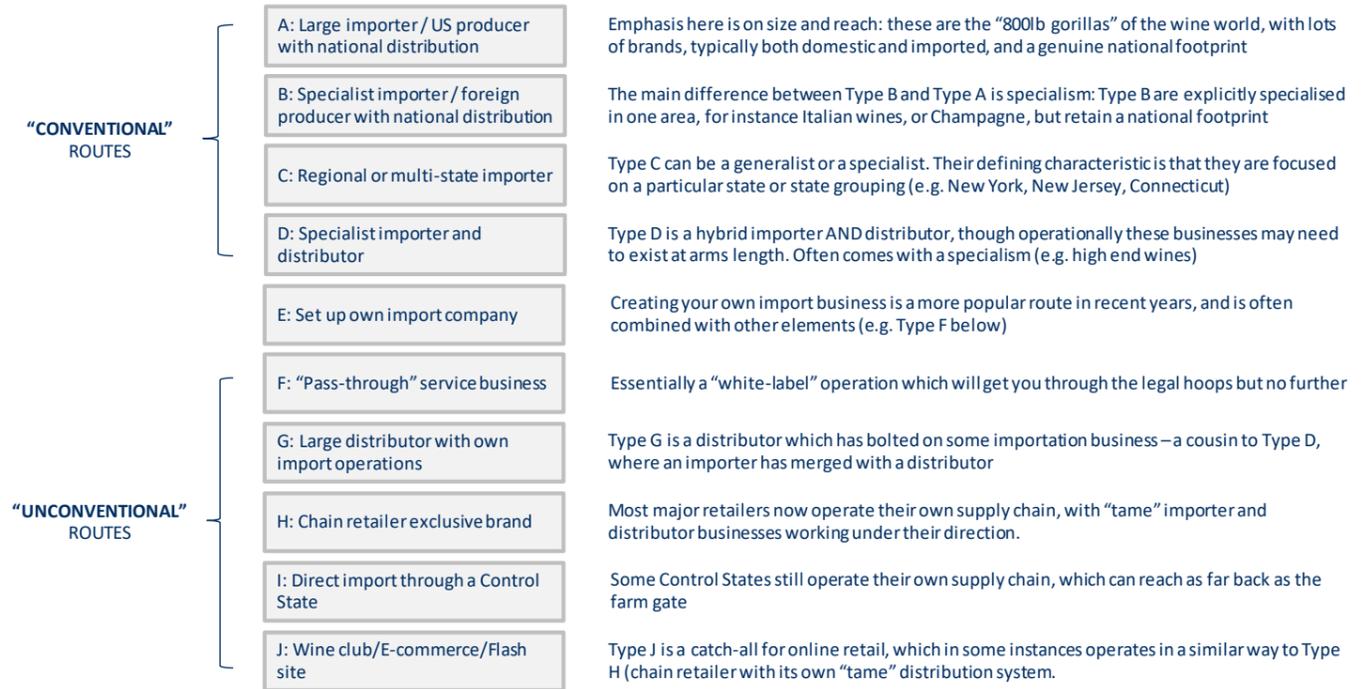
Source: Wine Intelligence Cellar Door, Online and Wine Club Purchasing in Australia 2017

Sources: (1) Kristin Diehl University of Southern California Gal Zauberman Yale University Alixandra Barasch How Taking Photos Increases Enjoyment of Experiences



US ROUTES TO MARKET

What you need to know: conventional and unconventional routes to market in the US



Source: Wine Intelligence US Routes to Market 2017

One of the first steps on your journey will likely be to evaluate which state (or states) are most suitable for your product. The US Compass 2017-18 report is a multivariable model that allows users to compare states against each other against factors such as total volume and growth rate of wine consumption, consumption per capita, ease of doing business, strength of local economy, wine market accessibility and consumer involvement with wine.

A range of factors have been used to determine the attractiveness of each state. As is the case in our Global Compass report, we assign a value to a range of wine and economic measures to assign a raw number to each state. This data is supplemented by our market knowledge, experience and insight gathered from years of qualitative interviews with local industry experts.

The final ranking is a combination of this qualitative and quantitative data, collected on the following measures:

- Volume size and growth tracking from 2012 to 2016
- Per Capita Consumption tracking from 2013 to 2016
- Imported wine volume data from 2014 and 2016
- Country of Origin Usage
- Drinking Population
- Involvement
- Occasions Frequency
- Average Occasions Spend
- Wine Market Accessibility (an evaluation of a range

of factors such as: Control States, DTC permitted, Excise Tax Rates, Religious Influence).

From this, we have been able to identify the top 10 most attractive states for

Top 10 attractive wine states in the US	Classification
1. California	Growth - large
2. New York	Growth - large
3. Florida	Growth - large
4. Texas	Growth - large
5. Virginia	Growth - large
6. Illinois	Growth - large
7. Massachusetts	Mainstream developed
8. New Jersey	Mainstream developed
9. Georgia	Growth
10. Oregon	Mainstream developed

Source: Wine Intelligence US Compass 2017

Routes to market in each state

When it comes to routes to market, there are 10 key pathways - though the very nature of the regulatory system in the US means that there are countless possible variations on a theme. The guide above is a rough and ready breakdown, while



Coming to America

The US wine market is notoriously difficult to navigate; many lose their way on the road to success. Our market analysts shed some light on how to clear the path.

Over the last 5 years, Wine Intelligence has published our flagship wine market overview, the annual Global Compass Report. Using a unique and updated formula that takes into consideration both general economic measures and wine market measures, the report provides a definitive ranking of the most important wine markets.

Shifting cultural and economic trends have produced considerable changes in the ranking since the inaugural report. While traditional western, central and northern European markets are no longer growing in terms of volume, we have seen China coming up the ranking, consistently, year on year. With such impressive growth it is easy to dismiss other Asian markets out of hand. It would be a mistake to do so. The markets in Japan and South Korea have undergone consolidation and are now more active forces in the wine world. On a smaller scale, the same is also true for Taiwan, Singapore and Hong Kong. South and South East Asian markets like India, Thailand and Vietnam have all experienced high growth rates, albeit from a small base. Latin America and Eastern Europe are also

becoming more enticing markets, driven in part by Mexico and Poland.

Unfortunately, it has not all been good news. Other markets that once showed promise, like Brazil, Russia, Nigeria or Angola, have been hit by a series of political and economic factors that have limited their appeal for the wine exporter. How their governments respond

to this turmoil will determine the future for their wine markets.

But amongst all this change, there has been one constant: the United States has been, year on year, the most attractive wine market in the world. Bolstered by impressive showings in variables such as market size, healthy and robust growth rates, market potential and a strong economy, the US came in pole position again for 2017-18. The still wine market is now worth 320 million 9 litre cases and has been growing consistently at 1% per year over the past 5 years. And yet, per capita consumption is still just 12 litres per adult per year while in terms of value, wine sales represent just half of the value in the UK and a quarter of the value in France.

When it comes to value in the US, Wine Intelligence analysis shows that value has grown twice as fast as volume. It is tempting to view the US as the promised land, but there are limits. As to be expected from a huge landmass made up of a patchwork of different states and federal laws, it is neither easy nor constructive to judge the US as one discrete market. Many would say each state represents its own market, each with its own quirks and challenges.

With this in mind, we have published 2 brand new reports, each one bringing more clarity to this highly fragmented market from 2 distinct perspectives:

Attractiveness of each state

the full report provides state-level analysis of the numerous variations you can encounter. Let's imagine you have chosen your route to market. Now you face the challenge of distributing your product across a country riddled with legislation and bureaucracy. Sometimes it might feel like states are being deliberately difficult – and in the case of some states affected by a certain nostalgia for Prohibition, well, they probably are.

The US Routes to Market 2017 report brings light to these highly complex and bureaucratic import and distribution systems with state by state analysis. It shows the main legislative and regulatory factors to take into accounts when selling wine. We identified 10 common restrictions that could cause you to rethink whether a state is right for your business.

As important as it is to grasp the complexities of different variations to the Three Tier System, they can't alone determine the suitability of a state. That is why the full US Routes to Market 2017 report adds our analysis of quantitative data, such as: a per capita consumption index score for each state, average recalled spend, average tax per bottle of still wine and the top recalled country of origin for consumption. These figures flesh out our understanding of a particular state.

Take New Jersey as an example. There is a volume limit of 12 cases per individual each year for direct-to-consumer sales on-site and off-site; alcohol licences are restricted by population, and municipalities have the right to ban all sales of alcohol within their borders should they wish to. Wine availability is almost entirely restricted to liquor stores (rather than grocery) and licenses are considered an expensive purchase. Georgia's state laws sound much more appealing; most complications revolve around compliance record retention and shipping labels. Wine is freely available in liquor and grocery stores, with stores open till 2am instead of New Jersey's 10pm. Both states have a monthly wine drinking population of 2.5 million. Who records the highest wine consumption?

In this case, it is New Jersey. Their 2.5 million drinkers account for 4.6% of the total volume consumption in the USA, almost double the 2% volume share of Georgia's monthly wine drinkers. Despite more challenging market accessibility, New Jersey is drinking more. In fact, New Jersey is drinking more and more often, with 27.5% of its wine drinking population stating they drink wine at least once a month, versus 24.7% of Georgians.

The examples above go some way to demonstrate that no two states are alike. The US Routes to Market and Compass Reports seek to demystify the forces at play on a micro- and macro- level respectively, offering readers actionable insight to the world's largest – and most attractive – wine market. ■

Common restriction	Example state
License restrictions	Arizona uses a lottery system to award a limited quota of liquor licences for 3 of the most popular 21 types of liquor licenses available in the state. The quota is based on the number population of individual counties, although the threshold for additional licences was relaxed in 2017.
DTC Wine shipment licencing	Though you might expect California to be amongst the most direct-to-consumer state in the nation, but they appear to be fiercely protective of their local wineries. Out of state wineries are required to pay a \$10 fee and complete a Type 82 form for each direct-to-consumer shipment
Compliance record retention rules	Wineries in Georgia must keep direct shipping records in case of audit for both on- and off-site sales to this region. Records of invoices for all sales made under the direct shipping permit must be kept for at least three years from the date of sale.
Special shipping labelling	Illinois specifies that shipping labels must be clearly marked with a reminder that the "Recipient must be over 21".
Solicitation	An oddity that crops up only in Connecticut, manufacturers must clearly state its liquor permit number whenever they advertise or offer wine for direct shipment to consumers in Connecticut via the internet or any other online computer network.
Volume limits	Southern hospitality is in short supply in Louisiana, where there is a limit of 12 cases per individual per year for direct-to-consumer combined on-site and off-site sales.
Brand registration	Ohio requires brands hoping to sell on-site and off-site in this region to register at a small fee of \$50.
Reporting information requirements	Those looking to ship to Florida might think twice once they picture the amount of paperwork they'll be buried under: suppliers shipping here must submit the following reporting data for both onsite and offsite sales, and must be filed within 10 Days After every month starting January 1: Ship To Name, Ship To Address, Product Type, Product Volume, Product ABV (%), Purchase Date and Invoice Number.
Sales hours	Montana is one of the meanest states, permitting sales of alcohol from 10AM until just 8PM Monday to Sunday.
Bar closing times	As you would expect from the home of Sin City, there is no dictated closing time in Nevada.

For more information about the US wine market, take a look at our two new reports: US Routes to Market 2017 and US Compass 2018-19.

The US Routes to Market 2017 report gives, for the first time, a comprehensive state-by-state assessment of the regulatory and business environment for wine in the US.

US Routes to Market price: GBP 2,500 (other currencies available on request)

The US Compass 2017-18 report is designed as a reference guidebook to help wine businesses make informed decisions when doing business in the US market. The attractiveness ranking of the 50 states and DC uses a composite weighted measure that combines overall economic factors and wine market factors

US Compass 2017-18 price: GBP 1,000 (other currencies available on request)

"The team at Wine Intelligence have been integral in providing clarity in the cloudy world of product development & innovation. Their insight has been a solid platform allowing Taylors to successfully build new products and industry innovations."

Pieter Klein,
New Product Development Manager,
Taylors Wines

We can help you with

- Brand health assessment
- Wine brand development – Vinibrand®
- Bespoke, quantitative & qualitative insights
- Wine business market entry strategies

Our services are based on a unique combination of solid research and extensive global wine trade experience. Some of our team have been involved in developing wines, and many of us have had prior experience of distributing wine, wine retailing and on-premise selling.

"Wine Intelligence is just what I needed – a specialist who provides credible, solid quantitative data in a category where it's often challenging to find that very thing."

Isabelle Catino,
Director of Marketing,
Kobrand Corporation

Market Insights through our wine market and issue-based reports

We believe in supporting wine business in every way we can. After all, it's our industry too.

One way we help is by publishing reports that all wine organisations can benefit from. To see our extensive report collection and find out more about how we help some of the world's biggest wine brands be successful, visit www.wineintelligence.com.

"The work and support provided by Wine Intelligence delivers enormous value, going beyond the excellent and rigorous data and insight they provide. They have in particular provided us with the capacity to understand our customers' needs and bring thoughtful and actionable solutions to our business."

Ricardo Aguiriano, Marketing Director,
Rioja DOCa

BEHIND THE SCENES



Having just launched our new office in Valladolid, our Research Director of Spain and South America Juan Park explains how Spain is keeping its relevance in an ever-crowded global wine market

This year WI expanded into South America, opening an office in Brazil and launching the first Brazil, Argentina and Chile Landscape reports. Why is South America such an exciting wine market right now?

Latin America represents around 9% of the world's population. More importantly the markets you mention are both important countries for both production and consumption so we're very interested in understanding their development and mechanics. We work a lot with clients in South America and we want to offer them insights into their domestic markets in addition to our established research in their export markets.

Is the political unrest in Spain any kind of risk or threat to production?

After living 12 years in London I moved to Spain, in part, to rest a bit from the

politics and debates around Brexit. So much for the quiet life! I have friends on both sides of the Catalonia debate and all I want is that things are solved in a civilised manner, as I'm sure they will be. In a global world there is little room for narrow identity politics. There are other problems in Spain for the wine industry such a short harvest, drought and overall flat domestic market. For me, the opportunity cost of the political crisis is that Spain should be looking outward and thinking how to increase its export price, how to create new categories, how to be more competitive, how to get together to make some noise and ultimately how to offer wines that consumers will like. The more attention is focused on internal issues, the less competitive the industry will be.

Why open an office in Spain?

Spain is one of the top 3 players in the wine world in terms of production. Furthermore, it's a country that has successfully shifted its mindset from a producer for the domestic market to exporter over the past 10 years. We have been working with Spanish companies for many years, first with the most experienced exporters like Rioja DOCa, Torres, Osborne, also with the Observatorio Espanol del Mercado del

Vino (OeMv) and then with regions or companies that take export markets more seriously such as Ribera del Duero. Currently I'm also part of the Plataforma Tecnológica del Vino (PTV) which is a conglomerate of the main Spanish producers that aim to grow by innovating and understand better market trends. On top of that, via Madrid I will be closer to South America where we work with Chilean and Argentinean clients. Valladolid is a smaller city but very well communicated with Madrid and also with important wine regions such as Rioja, Ribera del Duero or Rueda among others.

Rueda is enjoying a moment with its white wines. Many now see white wine as a way for Spain to reinvigorate the country's offering. Do you think that's fair?

There are lots of very good white wine regions in Spain, but perhaps Spanish wines are still narrowly associated with red wines. Interestingly, Rioja is now doubling its efforts to promote white wines and help correct this misconception. But it is also true that the pendulum swung too much towards heavy reds in Spain, in the domestic market rosé wines are growing and there is a lot of interest in ecological wines that can be better for your health and so on, but also lighter in style.

You've attended a fair few wine events at home and abroad in the last couple of months. Wines of Rioja in London and you're speaking at JUVÉ VIII. Any emerging trends or interesting NPD?

Well in Spain there has been quite a lot of innovation, low alcohol Frizzante wines sell very well, there is even a rebirth of Vermouth such as Verdejo based new offerings. Many new styles are on offer now which can only be good for consumers. There are high hopes for ecological wines but as is with these categories it needs to work with consumers in two ways: rationally with a message of better for the world, better for one's health but also he need to be associated with excellent taste, reliable and of fair value. We will see how that category evolves. I always thought that for example free range eggs has a clear imagery advantage, one can picture a

chicken in a factory without windows vs a chicken running happily through the fields like in the Waitrose adverts. Wine doesn't have that imagery associated with "non-ecological" wines, so it has to work much harder to show consumers why they should pay more for them.

There is a lot of talk about ecological (biodynamic, organic and sustainable) wines in Spain. Do you think there is a real demand for more environmentally friendly wines?

One of our areas of study in this year's Spain Landscapes 2017 report was ecological wine. In the course of our research we spoke to many trade members who commented that the ecological movement is here to stay. Production of wines within this category is on the up, the industry gatekeepers (wine buyers) are on board and consumer acceptance is growing. As with many new categories, younger consumers are the most open to ecological wines and are embracing this small but promising trend.

At the moment, around half of wine consumers in Spain are aware of ecological wines (explained in the research as wines of organic, biodynamic or sustainable status). They value the health benefits of ecological wines and are happy to argue that its worth paying just a little bit more for them.

But 46% of wine consumers are still completely in the dark, unaware of what ecological wines are. The first crucial step towards broadening category engagement is to communicate the ecological message to the unaware. In fact, our research suggests that it is worth targeting those who are aware of, but don't purchase, ecological wines: they also feel like it isn't clear what 'ecological' means. To be fair, this is a problem shared by industry, where competing definitions and certifications make the category a bit complicated to navigate – and to research. ■

For more information about the Spanish wine market, take a look at the Wine Intelligence Spain Landscapes 2017 report. Published in Spanish, the report combines in-depth trade interviews and data from Vinitrac® (the world's largest ongoing omnibus survey on wine consumer attitudes and behaviours) to support our detailed analysis of how the market is performing today.

The report also looks to the future and identifies key trends driving the market forward and a focus on consumer attitudes towards organic, biodynamic and sustainable wines; the report gauges their understanding of the terms and their respective purchase levels.

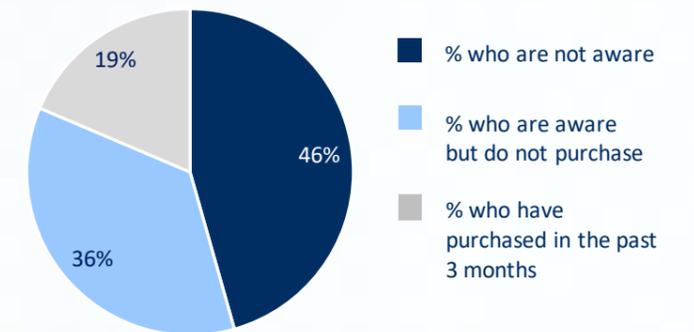
Spain Landscapes 2017 price: GBP 2,500 (other currencies available on request)

ECOLOGICAL WINE IN SPAIN

Biodynamic, organic and sustainable: what do these terms mean to wine drinkers in Spain? Our latest consumer research gives insight into the average consumer's understanding.

Awareness and purchase of organic, biodynamic and sustainable wine in Spain

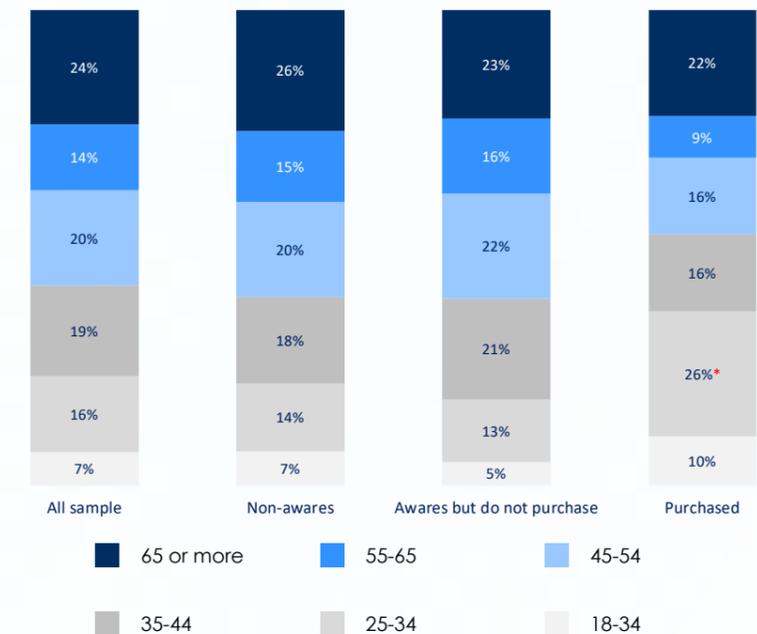
Almost half of wine drinkers in Spain are unaware of the terms "orgánico", "biodinámico" and "sostenible" and only a third of those aware have actually purchased an ecological wine in the past 3 months.



Source: Wine Intelligence Spain Landscapes 2017

Purchase of organic, biodynamic and sustainable wine in Spain by age

The data suggest that younger consumers are significantly more likely to have purchased ecological wines, with those aged 25-34 significantly more likely to have bought them in the last 3 months.



Source: Wine Intelligence Spain Landscapes 2017

Globally connected.

We believe that the only way to really understand what drives us as consumers is to watch, listen and learn.

That's where you'll find us.

We'll be following home lives by rummaging through kitchen cupboards (with their owners' permission) in suburban Sydney, surveying 5,000 in Germany, France and Denmark, or recording in-depth interviews with women in Chengdu, China.

Camera, recorder, questionnaire and discussion guide in hand, you'll find us just about anywhere.

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