



The Alternative Edition

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organic and lower-alcohol wines

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Publication dates

- Quarter 1 (Q1) - January-March 2018
- Quarter 2 (Q2) - April-June 2018
- Quarter 3 (Q3) - July-September 2018
- Quarter 4 (Q4) - October-December 2018

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Comment

Perhaps it is as obvious as it is profound, but human culture on planet Earth is changing at an extraordinary and unprecedented pace. The effect of frictionless and powerful communications technology has given universal access to encyclopaedic information. The same technology has also allowed stubborn and committed minorities to express themselves to the mainstream on everything from politics and social values, to the environment and consumer culture.

Wine is finding its way in this fundamentally disrupted world. Specifically, this issue considers the parts of the wine sector that are producing products that reflect long-run consumer trends of Exclude (less alcohol or additives), Reduce (lower environmental impact), Control (needing to police what we're putting in our bodies), and Obsession (wanting to be an expert on something).

Clearly there's more to the sustainable, organic and lower-alcohol (SOLA) sector than simply 21st century consumer needs. 'Modern' organic and biodynamic practices date back decades. Their proponents are often driven by far more ideological commitments to environment or production best practice than simply fulfilling a supermarket listing requirement, but their cause has been fuelled by growing consumer awareness, wider acceptance and understanding of the environmental and health impact of agricultural practices, and the powerful loudspeaker of social media.

Elsewhere in this issue we touch on other outcomes of the 21st century cultural earthquake: the changes coming to Canada's retail universe and the impact of Brexit on the UK's hitherto thriving on-trade. We are also welcoming two guest contributors: Suzana Barelli on Brazil's emerging natural wine market and Karissa Kruse on what prompted Sonoma to commit itself collectively to sustainability.

Richard Halstead
COO, Wine Intelligence



NEWS AND EVENTS

Latest dispatches from the Wine Intelligence Global Team



This second quarter of the year generally delivers a jolt of adrenalin to the global wine market, with a thicket of trade shows coinciding with retailer range reviews and southern hemisphere harvests. It is also typically the time when Wine Intelligence's global team hit the road to spend time with clients and in key markets.

We have been busy with our Brand Power, Innovations and Trends Workshop Series, celebrating the 15th anniversary of Wine Intelligence. This global series of workshops include findings from the Wine Intelligence Global Wine Brand Power Index 2018 report, Global Consumer Trends 2018 report and other insights from the global wine and drinks industry. This past quarter we held events in São Paulo, Brazil; London, UK; Barcelona, Spain; and Sydney, Melbourne and Adelaide, Australia. Our event in Franschhoek, in South Africa's Western Cape winegrowing region, was notable in that 140 participants attended, signalling perhaps the growing ambition of South African growers and brand owners to build a stronger and more valuable export business. We will continue events into this upcoming quarter, with seminars in Santiago, Chile, and Auckland, New Zealand.

In addition, Juan Park, Director for Spain and South America, spoke at several events over the past few months including FIVS Global Trade Policy Conference in Brussels, where he spoke on what the future holds for purchasing experience and who wine consumers will be in the future. He also presented a seminar at the 'New challenges in the management of the wine industry of the 21st century: philanthropy, agri-food tourism and sensory experience' conference in Spain.

In May, Chuan Zhou, Research Director, presented at Vinexpo Hong Kong. His presentation investigated future consumer demand for and expectations of wine and reviewed the trends that will impact consumers' wine choice.

This upcoming quarter, Wine Intelligence will launch another wave of Vinitrac® in July and see new reports published. Please see more about Vinitrac and submitting your question requests on page 16. Quarter three will also see reports published on China Label Design and Branding 2018 and India Landscapes 2018, amongst others. A full list of 2018's provisional reports can be found on page two.

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

Online Retail and Communications in the Brazilian Market 2018

Percentage of online wine purchasing in a global context

After China and the UK, Brazil has the highest proportion of wine consumers who purchase wine online

% who have purchased wine online in the past 6 months

Base: Regular wine drinkers/imported wine drinkers in each country



Source: Wine Intelligence, Vinitrac® studies in all stated markets in 2017, 2018 and 2014 (Russia)

Wine Packaging Formats and Closures in the UK Market 2018

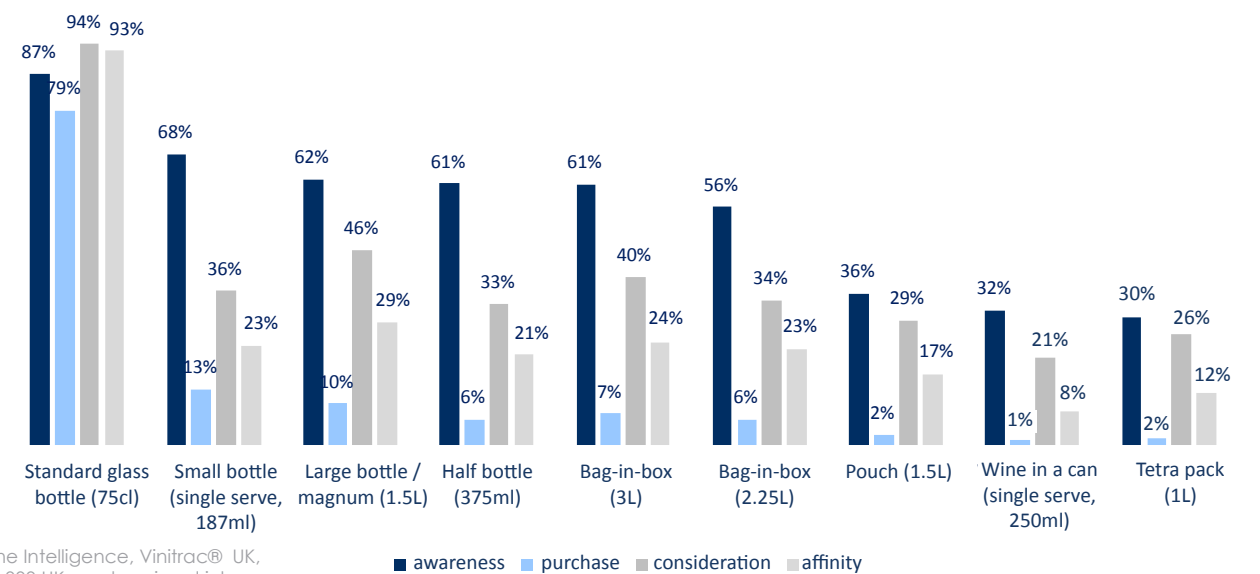
Attitudes towards packaging formats in the UK

Currently, small format bottles have the strongest position in the UK market outside of standard 75cl bottles, with magnums showing the strongest future potential

% who are aware of the following package types

Base for awareness and purchase: All UK regular wine drinkers (n=1000)

Base for consideration and affinity = All those aware of the packaging type



Source: Wine Intelligence, Vinitrac® UK, Oct'17, n=1,000 UK regular wine drinkers



Natural wines in Brazil



Brazilian journalist **Suzana Barelli** discusses how alternative wines have only appeared in the Brazilian market within the last decade, but are already gaining in popularity

The phenomenon of Brazilian natural, organic and biodynamic wines is quite recent – the first labels appeared no more than a decade ago – but these types of wine seem to follow a different path from the country's commercial wine producers. Still emerging, but promising, these wines bring their own identity, known by dynamic flavours and high acidity, which is typical of the Brazilian palate. They use varieties of little-known grapes (Peverella, of Italian origin, is a good example) and many of them even work with varieties of table grapes (in Brazil, it is also possible to make wines with Lambrusco varieties, and the

prolific Isabel, a very sweet table grape, is one of the most used). Otherwise, many of the Brazilian commercial wine producers tend to copy the style of various Chilean and Argentinean labels rather than looking for a Brazilian identity.

The natural producers are mostly concentrated in the south of the country, in the states of Rio Grande do Sul and Santa Catarina. Not all have their own vineyards and it is common to purchase third-party grapes. Those who have vineyards are concerned with following organic philosophy and, some, even biodynamics. Two biodynamic examples are the Vinhedos Serena

project, which produces only Pinot Noir in Nova Padova (Rio Grande do Sul) on a landscape of hills, 750 metres from sea level; and the Vinha Unna in Pinto Bandeira (Rio Grande do Sul), which produces reds, such as Cabernet Franc, but also whites from Riesling Renano, Malvasia di Candia and old vines of Moscato, amongst others.

In addition, the Era dos Ventos winery, founded in 2008, in the Serra Gaúcha was the pioneer in rescuing the Peverella grape, a type of grape brought by Italian immigrants in the 19th century that almost disappeared. Its winemaker and partner Luís Henrique Zanini follows the techniques of ancestral winemaking and produces both its white wine and sparkling wine by fermenting the must along with the bark, classifying it as orange. The concern, however, is with the lower-alcohol content from these producers. For example, the still wine from Peverella has 12.5% abv and the sparkling 11.5%.

Era dos Ventos' production is one of the most organised, perhaps because Zanini also has a conventional winery. But many of these natural winegrowers do not have their production regulated, due to the difficulty of adhering to the complicated and detailed Brazilian legislation. The law is designed for everyone who can only sell their whites and reds in their own winery. Small producers with capacity to sell more than from their door have to play with the rules applied to the largest producers, which include complicated tax systems and mandatory infrastructural capabilities.

But those who cannot play within the rules struggle. Last year, producer Eduardo Zenker of Arte da Vinha, who used to buy grapes

and make wines in his 'garage', had all his production seized after an anonymous complaint that he was not adhering to the rules. Up to that point, Zenker was becoming popular by producing wines by the ancestral method and providing several wine-making experiences. This resulted in interesting wines, some with very high volatile acidity, and all with a lot of personality. His wines are currently not allowed to be sold while Brazilian authorities decide on his case.

These natural producers are mainly popular in the consumer market of São Paulo and also Rio de Janeiro. The restaurant Enoteca Saint Vin Saint channels this trend of providing natural wines. To this day, members organise the only São Paulo

natural wine fair, called Naturebas, which is now on its sixth edition. 75 exhibitors are already confirmed, with 15 Brazilian winemakers already signed up for the following event taking place in August.

In addition, at the end of 2016, the area of Jardins dos Vinhos Vivos also appeared in São Paulo, which follows the same trend of selling and serving only natural wines. Some nights, the couple Analu Torres (Brazilian) and Xavier Meney (French) promote alternative wine tastings, always with a full house.

Therefore, although natural wines are only beginning to flourish in Brazil, we can expect to see increased interest and production in the coming years.

Featured report:

Brazil Routes to Market 2018



5 report credits

£2,500
€3,000
AUD \$4,500
USD \$3,500

Email eleanor@wineintelligence.com for more information

This report aims to unpick some of the mysteries about the Brazilian wine market supply chain and reveal the opportunities and tools for those wanting to compete effectively with their wines in the largest economy of Latin America.

Read more about what domestic production looks like. For example, what is going on in distribution? What are the main regional differences and who are the main local importers? What makes each one of them unique? Where is imported wine being landed? What are the main taxes and how do they work?

The Canadian choice



Wine Intelligence COO **Richard Halstead** reflects on how legislative changes in alcohol and cannabis are likely to shape the wine industry in Canada throughout the coming year as much as long-run consumer trends

Canada crosses six time zones and occupies a greater land mass than the United States – nearly 10 million square kilometres. This geographic spread, along with a long history of strong Provincial identities and government structures, have bequeathed the country a patchwork of different regulatory processes dealing with alcohol.

Once upon a time, these Province-level rules were broadly aligned, stable, and with only nuanced differences. In recent years, however, the Canadian alcohol regulatory landscape has undergone more fundamental shifts. Combined with the renaissance of wine growing in Canada, particularly in the Okanagan region of British Columbia, the changes are starting to have a profound impact on consumer behaviour. Add in the intriguing disruption of legalised cannabis, due to be implemented in summer 2018, and the market is braced for an unprecedented period of change. As one industry leader recently put it: “It’s like going from flat calm to a raging storm”.

The traditional view of wine consumption in Canada is often framed by the contrasts between the two biggest Provinces by population: Ontario and Québec. Despite enjoying something of a rarity in Canadian geography – proximity – Québec clings determinedly to its French roots with a love of European

wine, while Ontario has a strong bias towards Canadian wine (traditionally, much of it grown within Ontario), and more generally North American and New World wines.

In addition, according to our **Canada Landscapes 2018 report**, key trends in the Canadian wine market can be identified as follows:

1 Growing importance of grocery & convenience stores as a wine-buying channel is allowing greater access to wine on an everyday basis for consumers

Traditionally, while both Ontario and Québec have exerted a strong hold on the alcohol supply chain through the use of Scandinavian-style retail monopolies (LCBO in Ontario and SAQ in Québec), Québec offered a slightly more liberal regime, where convenience stores and supermarkets could offer a limited range of beer and wine.

However, in the past two years, major changes have been in the works in Ontario, the most populous Province, as it moves more towards the Québec model. In the new Ontario model, prices and what they are able to stock remain controlled by government, but a number of grocery and convenience stores can now stock wine, which provide far greater access and convenience for the everyday consumer. This means that in most major population centres in Canada,

wine can now be purchased in the same shop as groceries, or at least in adjacent settings, in a structure that would be familiar to consumers in most of the rest of the developed world.

This contrasts with the picture in the west of the country, in Alberta and British Columbia, where the state retains some control of the supply chain, but the actual job of retailing wine has been either partially or completely turned over to the private sector.

2 The wine market remains steady in growth, particularly in the premium wine sector

The Canadian still light wine market is showing steady year-on-year growth both in terms of volume and value according to IWSR. Trade experts are also observing a growth in the premium wine sector, stating that while they notice sales of wine under \$12 falling, those in the higher price categories are increasing. Premium wine growth appears also to be driven by the change in wine retailing laws, which are allowing greater availability of premium wine offerings. Vinitrac® data shows that although regular wine drinkers based in English speaking Canada are drinking wine at the same frequency in the off-premise as they did back in 2014, their stated spend on a bottle of wine, particularly for informal occasions, has significantly increased.

3 Rosé category tipped for future growth

Rosé also appears to be on a dramatic growth path. While many consumers still consider it a seasonal, cheap option, the premium rosé sector is expanding. Significantly more popular among younger drinkers, rosé is expected to continue

rising. With packaging aimed to appeal to those under 35, and success due to its ‘Instagrammable qualities’, trade experts see it becoming a perennial drink and the ‘cheap’ label will fall away as it has begun to do in the US.

4 Sparkling wine growing but from a very low base

No current Landscapes report seems complete without a mention of Prosecco, and the Italian sparkling juggernaut is also making ground in Canada. It is, however, not growing as quickly as in other markets. Prosecco now accounts for 28% of sparkling wine volumes in Canada and consumers are beginning to get on board with sparkling wine as an ‘everyday’ drink, but the category is still very small compared to light still wines.

5 Cannabis: a possible threat to the wine category in Canada

Another big legislative change, much anticipated but yet to be enacted, will be the legalisation of cannabis – currently scheduled for summer 2018. Experts remain divided over the level of impact this will have. The data currently available on the effect on wine sales from US states where partial or full decriminalisation has taken place is inconclusive – partly because of flaws in the studies themselves and partly because it is very difficult to separate out change that is directly attributable to cannabis versus other factors in a given market.

Wine Intelligence is starting to collect data in this area, but it may be some time before we know anything conclusive. One hypothesis that we’ll be following up: the most likely substitution between wine and cannabis may be at lower price

Hot topic: Alternative wines in Canada

- Organic and natural styles of wine are the most recognised amongst Canadian regular wine drinkers, despite being the least purchased types of wine in this group of people and confusion around the definition of ‘natural’ wines
- There is no difference in the perception of alternative types of wine amongst regular wine drinkers in English-speaking parts of Canada and those based in Québec
- There is also some lack of understanding amongst consumers of what the different alternative wine types actually mean

points, where consumers are less involved in wine as a product and more as a means to a good time. This is, perhaps, a reason to play down the proposed threat of cannabis: the premium wine sector is seeing a particular increase in sales and cannabis seems an unlikely substitute for a nice bottle at a dinner party.

Overall, the future is bright for wine in Canada. Domestically produced wines (particularly in British Columbia) are growing in stature, wine is becoming more accessible than ever before – either as part of a weekly shop or from an expanding array of online purchasing options – and consumers (notably so in Québec) are becoming more involved in wine.

The SOLA universe

sustainable, organic and lower-alcohol wines

SOLA products are a growing force within the global wine industry, though consumer understanding remains patchy. **Julie Halstead**, Wine Intelligence CEO, highlights findings from our recent report on alternative wines



The wine category has always operated under the paradoxical benefit / liability of complexity and diversity. The benefit of variance in provenance, terroir and ingredients has made it perhaps the most interesting beverage category in the world; so much so that other categories, such as craft beer and gin, have adopted similar variance to make their categories more interesting. The downside of this approach is that complexity breeds confusion, and many consumers in the wine category tend to resort to intellectual short-cuts to get to a purchase or consumption decision.

Into this mix comes a number of new (and not-so-new) viticultural and winemaking approaches, which are often aggregated into the phrase 'alternative wines'. Some, such as organic wine and lower-alcohol wine, have been with us for some time. Others, such as vegan or sulphite-free wine, are relative newcomers. All are characterised by a combination of positive desires: to make more environmentally-responsible and sustainable wine, to give consumers a choice beyond the mainstream and to cater to committed (and often vocal) minorities, such as vegans, who are seeking out products that fit their lifestyle choices.

The Global SOLA Report: Sustainable, Organic & Lower-alcohol Wine Opportunities

2018 is our first multi-market, multi-category view of the alternative wines sector, and to escape the rather clumsy phrase we have adopted an acronym – SOLA – to describe the scope of the report.

On top of the standard complexity of their product, SOLA producers face the same challenges as the rest of the wine industry: to convey their understanding of the approach they have chosen to take.

However, some may see this as a solution: lower-alcohol Sauvignon Blanc may be a simpler proposition to someone specifically looking for a lighter product to serve at lunchtime; a committed vegan will perhaps be grateful for a vegan wine when faced with the alternative of not drinking wine at all.

For the report, we have also developed an opportunity index, crossing 11 markets and 12 sub-categories, to determine where SOLA wines have the greatest chance of success, and which of the individual product types within the group might work best.

The opportunity index considered the relative opportunities by market of wines that are lower in alcohol, non-alcoholic, Fairtrade, organic, sustainably-produced, environmentally-friendly, from a carbon-neutral winery, biodynamic, preservative-free, sulphite-free, orange / skin contact and vegan.

It took into consideration awareness (people who are aware of the types of wine), purchase intent (people who have specifically bought the wine in the past 6 months or intend to buy it) and affinity (people who think the type of wine is right for people like them) in 11 key wine markets.

Organic wine ranks top of the opportunity index, indicating it has the strongest opportunity within the SOLA universe. This could be explained by the fact that 'organic' is generally best understood and recognised by both trade and consumers based on external accreditation and strong awareness of the term in adjacent food and drink categories (e.g. coffee and chocolate). The organic wine opportunity is particularly strong in Finland, Sweden and Germany, driven by strong retail

objectives to increase the market share of organic wines.

But following closely behind organic wine is sustainably-produced, Fairtrade and environmentally-friendly wine. Despite the complexity of certifying these SOLA categories, consumers report being drawn to wine that is produced 'sustainably' or 'environmentally', whether or not it comes with a consistent accreditation. This suggests that people have a growing intent to buy wines that are produced in a way that takes both the environment and those creating it into consideration, and are willing to consider designations that are broader than just 'organic' as supporting cues.

The Global SOLA Report: Sustainable, Organic & Lower-alcohol Wine Opportunities 2018 also covers

lower-alcohol and non-alcoholic wines. According to the opportunity index, lower-alcohol wines are making some progress, but struggling with inherent quality challenges and the availability of more attractive lower or non-alcoholic drinks. In other words, the lower-alcohol wine category may deliver some future potential, driven by consumer moderation trend. However, observation of consumers suggests they are switching to alternatives beyond wine (e.g. 'mocktails' and 'adult soft drinks') for lower-alcohol or no-alcohol occasions rather than wine.

But the appeal for lower-alcohol or no-alcohol wines supports consumer appeal for more 'natural' products, as there is a stronger potential for wines naturally lower in alcohol, rather than those reduced via mechanical methods.

Calculating the Global SOLA wine opportunity index


Using three measures of 'opportunity' - awareness, purchase intent and affinity - we created an index to show which alternative wine types had the best opportunity by market.



The index has been weighted to reflect the size of the wine drinking population in each market, enabling the SOLA wine opportunity index to be more reflective of the global market opportunity.

Global SOLA wine opportunity index 2018

Rank	Type of wine	 [GLOBAL]											Weighted opportunity index
		Australia	Canada	Finland	Germany	Ireland	Japan	New Zealand	Portugal	Sweden	UK	US	
1st	Organic wine	38	45	70	52	48	47	39	33	68	42	48	47.2
2nd	Sustainably-produced wine	35	39	51	50	40	40	40	49	40	37	44	42.6
3rd	Fairtrade wine	30	37	56	48	49	29	31	27	52	50	44	41.7
4th	Environmentally-friendly wine	35	35	48	33	41	38	36	38	35	39	45	40.1
5th	Preservative-free wine	36	35	41	30	35	57	29	33	33	27	39	38.3
6th	Sulphite-free wine	31	37	39	27	42	41	29	35	32	30	40	36.4
7th	Wine from a carbon-neutral winery	33	32	31	31	27	30	30	18	27	32	34	31.8
8th	Lower-alcohol wine	38	31	29	26	36	25	43	35	26	31	28	29.0
9th	Biodynamic wine	27	25	35	27	31	26	27	16	31	27	31	28.4
10th	Orange / skin contact wine	19	27	29	17	32	24	15	20	20	28	32	27.0
11th	Vegan wine	22	22	37	19	24	19	23	14	28	23	29	24.6
12th	Non-alcoholic wine	26	21	31	26	29	17	19	13	38	28	22	23.0

 = ranks among the top 3 in the market

According to the opportunity index, the strongest opportunity for lower-alcohol wine was identified in Australia and New Zealand while Nordic markets of Finland and Sweden had the highest opportunity for non-alcoholic wines. In both fields, there was low appeal in both Japan and the US, but there is potentially more opportunity for lower-alcohol wine in emerging wine markets of China and Brazil in comparison to more established markets.

This 144-page report covers a vast amount of the alternative wine sector and spells out opportunities for 12 types of alternative wines over 11 markets. It is now available for purchase or download for our All Access subscribers. It can also be purchased in sections at a reduced price. Please contact Eleanor at eleanor@wineintelligence.com for more information.

Key findings of the Global SOLA Report:

- 1

Organic wine first in the SOLA wine opportunity index amongst consumers across 11 markets and is particularly strong in Finland, Sweden & Germany
- 2

Fundamental consumer misunderstanding of the term 'natural wine'; low awareness and mixed views on orange wine are due to instability & quality issues
- 3

Strong and positive opportunity for sustainably-produced wines, despite complexity of sustainability certification and lack of single definition
- 4

Strong opportunity for wine positioned as environmentally-friendly that may not carry accredited endorsement, but must be credible
- 5

The 'free-from' wine category has not yet reached the prominence seen in other food and drink categories
- 6

Biodynamic wine currently seen as marginal in the category, with the validity of the biodynamic process eliciting strong and conflicting views amongst the trade
- 7

Lower-alcohol wine opportunity currently niche, with consumers turning to other low and non-alcoholic drink choices over wine

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 wine producers in Brazil are currently repositioning their brands in the domestic and international markets. Wine Intelligence insights came at the right time, helping us to develop and execute the most assertive actions for each market. They highlight the trends that drive consumers’ behaviour and how they will affect the wine category. With their data, we also monitor the world market and build a sectorial strategy with the Brazilian wine industry. Undoubtedly, the research helped to guide our planning and actions.”

Diego Bertolini,
Promotion manager of the
Brazilian Wine Institute (IBRAVIN).

We can help you with

- Brand health assessment
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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.

“With a very short timeline and a mission of providing ‘investigative-type research’, the Wine Intelligence team was capable of delivering the report on-time and with information that we had not anticipated. While I have used their services before for a more traditional research project, this is the first for a project that required in-depth market intelligence from a variety of industry sources across multiple markets. Mission accomplished and a job well done.”

Greg Berti, Vice-President, Peller

“When we decided to embark on this challenging project we knew that there would have been only one agency to work with: Wine Intelligence. The project has been brilliantly managed, the report delivered on time with the schedule, and the team managed to provide us with valuable findings incredibly useful for our future projects. We couldn’t be more proud of this project, so thank you to the team at Wine Intelligence for your fantastic work.”

Alessandra Brugola,
Marketing & Communications Manager,
The Benevolent,
the Drinks Industry Charity



Sustainability, Sonoma style

Sonoma County was the first wine region in the US to make a pledge to be 100% sustainable by 2019

We talk to **Karissa Kruse**, president of Sonoma County Winegrowers, on what sustainability means and why it is so important



WI: Would you say sustainability is something you've always been interested in or did you grow to be passionate about it?

KK: I think I found it really interesting when I started working for the farmers here in Sonoma County. They have such a rich history here of being stewards of the land and of being multi-generational grape growers – which is such a big deal in the US. Sometimes it's not that much to be a 19th or 20th generation grape grower, especially in Europe, but in the US, where it is a younger country, being a third or fourth generation business owner and being a steward of the land and caretaker for that long is really important. These farmers are at the heart of sustainability – which is really what it stands for. And I noticed that's what they're really doing here in Sonoma County: preserving the land for future generations – they just hadn't really put a definition for it.

WI: What led to Sonoma County committing to

become the first 100% sustainable wine region in the US by 2019? How are you doing against this target?

KK: So about 6 weeks after I was promoted to President, a board member emailed me on a Saturday afternoon, and he asked a question: how we could get Governor Brown – a very pro-sustainable governor – to recognise Sonoma County Winegrowers as leaders of sustainability?

We had to ask what exactly does sustainability mean? What could this path look like?

And I realised there's only one way to show you are a leader in sustainability – there's no shortcut: you have to actually become a leader in sustainability through your behaviour.

We committed to 100%, which seems like an impossible commitment, but we felt like for Sonoma County, with its history in agriculture and multi-generational grape growers, it could

be done. Most importantly, a 100% commitment engages the whole community. If you only commit to 90% or 95%, there will always be some grape growers who think this does not apply to them or that they don't have to participate. If it's 100%, then every grape grower needs to be a part of this program and it becomes a goal for the entire grape growing community in Sonoma County.

WI: How do you measure the sustainability progress?

KK: There are three areas in evaluating how we are performing:

1. How many grape growers/ acres of vineyards do we have doing sustainability practices? How many are looking for improvement?
2. How many have gone through the audit process and achieved certification? They need to be sustainable in a certain number of practices in order to certify.
3. How are we doing on these practices themselves and how do we want to move the needle? What are we doing well in? For example, we could be doing well in water conservation, but we could focus more on providing better training for our growers and staff. So we ask how can we improve this and help people improve in these areas.

Part is participation and part is looking at all of our practices and how we can improve as a county.

WI: How does sustainability fit with organic, Fairtrade, bio-dynamic, low-sulphur and natural wine?

KK: What we like about the term 'sustainability' is that it is an umbrella term – that the triple bottom-up approach affected everything. You couldn't really think of being



2016 harvest in Sonoma County



stewards of the land if you're not thinking about being stewards in your community. So we wanted a program that was really broad and incorporated the people piece.

WI: What do you see as the future for sustainability and wine?

KK: What I look forward to most is walking into a restaurant and every wine list has whether the wine is sustainably made with a little 'S' next to it. And that will be great, because that is the moment that consumers will know exactly what they are buying.

WI: Why do you think sustainability is so important?

KK: I think sustainability is really a roadmap, a toolbox, for helping ensure family businesses remain, that agriculture is preserved and the land remains beautiful so that we are able to give back to the earth and have that nice partnership with the earth and community.

WI: How have your farmers reacted to this pledge?

KK: For us here, it's been really fun to see the commitment evolve. Right from the commitment of becoming 100% sustainable to seeing that our farmers are so proud to be a part of this sustainable movement. We are leaders in sustainability around the world and our growers know that what they're doing on the farm matters and people care about their role in the wine making process – a product that brings so many people together around the world, whether it's about family, conversation, or sharing – so I think they're really proud of this commitment.

What is Vinitrac?



Jasmin Blockey, Wine Intelligence research analyst, explains our proprietary global survey of wine drinkers, which monitors and tracks the attitudes, behaviour and the consumer's relationship with still and sparkling wine around the world, has just turned 11 years old, and has expanded to cover 32 countries. But what makes it so useful?

Back in 2007, just as the financial crisis was brewing up in the world's largest economies, Wine Intelligence launched the first multi-market consumer survey dedicated to wine drinkers. By this point we, as a company, had run quantitative consumer research in several markets and for several years, but this was our first go at something co-ordinated and large scale.

Crucially, the launch of our global wine drinker survey followed a significant investment in establishing exactly what kind of people we should be talking to in each of the 10 markets we surveyed in that first wave – in order to create a survey that was representative of the populations of wine drinkers we were trying to understand. It's worth clarifying what we mean by 'representative', as this is a word often thrown around (sometimes erroneously) when evaluating the meaning of specific data points in a broader context.

Put simply, collecting a sample of, say, 1,000 interviews in a market and then claiming that the views and behaviour of those 1,000 'represent' that of the market as a whole is only possible if you

have a reasonable idea of the profile of the people who should be present in the survey from the overall population of interest. We need to then make sure that those characteristics – age, gender, income level, wine drinking behaviour – are matched in the sample you take. Following the tenets of statistical theory, such a sample (known as a quota sample) will then give you a better picture of the population of interest rather than one where you just took the first 1,000 answers you got, irrespective of who these respondents were.

Of course there are problems with quota sampling too. For instance, how do you get the quota in the first place? And how do you know it's correct? Nowadays, Wine Intelligence runs Vinitrac® surveys in 33 countries (latest addition: India) and part of the challenge we face every year is keeping our quotas up to date – or even, in the case of new countries, establishing them in the first place. In order to make sure all surveys are representative, extensive market research has to be conducted before we even distribute the surveys. In a given market, we need to run calibration studies. We tend to use very well established and far-reaching general omnibus

studies (an omnibus, like Vinitrac® itself, is a survey where anyone can buy a space and ask questions of their own choosing). The data coming out of an all-adults survey with national representative reach will tell us, with a reasonable degree of accuracy, the information we need to set our all-important quotas, which determines how many people in each age and gender category we need to target in order to be nationally representative.

By analysing the demographics of this segment of the population, we are able to establish our quotas so that our survey sample reflects the gender and ages of these regular wine drinkers.

Vinitrac® remains the largest ongoing online study of wine drinkers in the world, and since 2013 we have collected responses of approximately 500,000 wine drinkers. It is not only an incredibly powerful tool, but also one that allows us to be much more confident in the reliability and accuracy of our surveys due to Vinitrac® samples being nationally representative of each country.

Extraordinarily, some well-known studies in the wine category still don't bother with this step. So if you are being presented with survey evidence, and want to test its validity, ask about how it deals with the question of representativeness. The person presenting it is either going to be delighted at being able to disclose the extensive work they have done to address this (you have been warned); or shift uneasily and stare at the floor. Either way, you will have your answer.

Wine Intelligence Vinitrac® waves:

Still wine drinkers:
January, March, July,
October

Sparkling wine drinkers:
May / June

WINE INTELLIGENCE VINITRAC®

Throughout the year, Wine Intelligence runs various waves of Vinitrac® both for still and sparkling wine. Please get in touch with Chuan@wineintelligence.com with your question request or project proposal to be included in the next wave.



BRAND
HEALTH

LABEL
TESTING

BESPOKE
QUESTIONS

AMONGST OTHER MEASURES

AVAILABLE MARKETS

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

The 'perfect storm' in the UK on-trade



Although wine is struggling for attention in a UK restaurant sector experiencing a 'perfect storm' of adverse trading conditions, there is a growing interest in alternative wines, albeit from a small base. Wine Intelligence research analyst **Luke Catterson** highlights the top six findings from UK On-trade Trends 2018

It used to be a simple decision for a British consumer to get food: go out or cook. Now, we have multiple other alternatives to throw in the mix: takeaway, ready-meals and meal-at-home kits to name just a few.

These elements are all affecting the UK on-trade, as discussed in Wine Intelligence's recent report **UK On-trade Trends 2018**. Our key findings include the following:

1 The UK restaurant sector is experiencing a commercial crisis

It's a worrying time for those in the on-trade with a 'perfect storm' of deteriorating commercial conditions driven by increasing costs including wage legislation and increased business rates.

In the report, we commented on high-profile mid-market chains such as Prezzo and Jamie's Italian closing branches and since the report's publication, that situation has continued. The profits of the UK's top 100 restaurant groups have fallen significantly in the last year as companies are forced to tighten their belts instead of having customers loosen theirs at the table.

Labour costs are also rising following the new Living Wage

legislation and restaurants are finding it hard to attract staff from an ever-decreasing pool of skilled workers. As well as the financial uncertainty that Brexit brings for any business owner, European workers are trying to secure their uncertain futures and the result is a departure, which in turn is leading to increased wage demands from those who know they have the bargaining power.

2 The uncertainty of Brexit is impacting both staff and import costs

As our tastes have changed and the world has become smaller, we take exotic dishes and ingredients for granted, but they have to come from somewhere. Price and currency instability means that importing food and alcohol is an increasingly expensive challenge. The uncertainty surrounding Brexit and the weak sterling means that investment is becoming increasingly risky.

We have a large non-UK workforce but potential restrictions on their ability to travel and work means there is a strong possibility of a big employment hole that will need filling. It's also possible that health legislation may be influenced by the growing anti-alcohol movement without the countervailing influence of the EU to keep any likely restrictions in check.

3 Delivery services and pop-ups are offering less risk and more appeal for investors, while also creating competition against the on-trade

With their low overheads and ability to be flexible geographically, pop-up restaurants present far lower risk to investors. They also enjoy a novelty factor and it is far easier for them to tap into current food trends, which means they are pulling customers away from traditional restaurants.

We're also seeing fewer people eating in the on-trade and it's easy enough to see where they're going – UK-based food delivery company Deliveroo is growing at 25% each month.

It's not entirely doom and gloom, though, while some more specialist concepts like vegan restaurants are showing some growth.

4 Wine is receiving less attention as other drinks are taking share of mind for both consumers and trade

Wine is getting more expensive. With an almost exclusively imported wine market, it's hard to get away from those rising costs as the sterling stutters. Although wine remains the backbone of alcohol on offer in most food outlets, spirits (notably gin), cocktails and craft beers are the noisy neighbours drawing share of mind when it comes to alcohol. The number of regular wine drinkers has stabilised and shows no sign of increasing for now, while the others are growing and that can only mean eating into wine's share.

5 Consumers are still looking for quality in the on-trade wine — and are willing to pay for it

If a job is worth doing, it's worth doing properly. It's a mindset we're seeing with wine choices in the on-trade. One of our findings from last year's UK Landscapes report was that people are drinking less but spending more when they do. If you're only going to have one glass, then make it a good one. On-trade premises are happy to facilitate this and we're seeing a wider range of wines being made available so people have greater scope to experiment.

6 There is a growing interest in alternative wines, albeit from a small base

SOLA wines (sustainable, organic, lower-alcohol) are still a very small part of the wine category but awareness and demand is growing. Organic wines are becoming a part of the successful vegan and vegetarian movement and the demand is such that we are seeing speciality events for natural wines. The label is not enough – people will only drink SOLA wines if they taste good – but those in the industry sense a willingness to engage in the category as soon as education levels increase.

Overall, while the UK on-trade sector is experiencing a wave of challenging trading conditions, it is not all bad news for wine, as restaurateurs think outside the box on how to engage customers and provide them with both quality and alternative wines.

SOLA wines are still a very small part of the wine category but awareness and demand is growing.

Organic wines are becoming a part of the successful vegan and vegetarian movement and the demand is such that we are seeing speciality events for natural wines.



Italy's sustainable advantage



Italian winemakers have embraced environmentalism and sustainability more strongly than any other major production country, and their vision is paying dividends, according to **Pierpaolo Penco, Wine Intelligence Country Manager for Italy**

Everything that is organic, biodynamic, sustainable and 'natural' is currently very popular in the Italian wine business. This trend started with food, but now includes wine. Indeed, after a few years, the phenomenon has changed the face of Italian wine, creating new market space in a mature market for alternative wines, even beyond what is happening in other countries.

Sales of alternative wines are climbing even as the long-term trend of wine drinking in Italy is down. According to data processed by Corriere Vinicolo, the weekly magazine of Unione Italiana Vini (UIV), in 2016, the total hectares of vineyards classified as organic (including those in conversion) rose to 101,290 – a 24% increase compared to the previous year. This number now represents 16% of all Italian vineyards. After already being the largest producer of certified

organic food, Italy has become the largest organic vineyard in the world, with a share of 15.5%. Italy is followed by Bulgaria (share of 14%), Spain (11.1%) and Austria (10.9%).

Similar to the development of the Italian Federation of Independent Winegrowers (FIVI), which aims to protect and promote the figure of artisan winemakers, there is a great stirring of producers who have embraced environmentally-friendly practices – all the way from the Alps to Sicily.

This interest can be seen in the market, with growing numbers of distributors specialising in natural wines. The same positive trend in sparkling wine consumption (as investigated in our Sparkling Wines in the Italian Market 2018 report) has led to the appearance of new artisan bubbles, mainly in the 'sur lie' or 'pet-nat' (i.e. pétillant naturel) categories. There are even events

throughout the year promoting these types of natural wines, some of which take place at the same time as the biggest trade fair in the sector, Vinitaly in Verona.

Vinitaly, in fact, is flanked by several independent events aimed at specific niches of consumers, especially those of organic or natural wines, that occur in different locations at a distance not too far from Verona. Just before Vinitaly, I attended a high-level wine tasting at Summa, hosted by one of the most important producers of the South Tyrol, Alois Lageder, who is also president of Demeter Italia. For the 21st time, over 80 quality-conscious, mainly environmentally-friendly wineries from all over the world assembled in his wine estate in Magrè to present their wines to an international, highly qualified audience (mainly importers and on-trade professionals working in superpremium and iconic segments). In a quiet and relaxed setting, totally different from the Vinitaly pavillions, a program of guided tours, seminars and wine tastings gave visitors the opportunity to meet famous vintners and their wines.

Italian 'natural' wine is not only strong abroad but also on the domestic market. It attracts a segment of consumers that have careful

consumption patterns towards less chemical, natural or sustainable products. The evidence so far suggests that, just as the wines themselves arise from a diversity of methods and philosophies, so too do consumer motivations to drink organic or biodynamic wine. There are the environmentally committed ("I buy only wine from small farmers because they do not pollute"), those who have a personal taste preference ("I cannot stand the taste of wine produced with selected yeasts") and those who have decided there is an equivalence between chemical intervention like sulphur and the size of their hangover ("I could drink two bottles of these wines and not have a headache the next day").

The profile of these drinkers is a bit more consistent: they are often younger consumers, perhaps reflecting a casual stereotype of the hipster, morally committed Millennial, impressionable by artisan microbrewery drinkers, with a lifestyle that provides a good dose of curiosity and use of social media to communicate. Their brand loyalty might be low for individual brands (because they are not as experienced in the category), it is much higher than the average for the genre of alternative wines, and the alignment of environmental and ethical values. The consequence of this loyalty to the 'natural' sector is an arresting commercial proposition for Italian winemakers: here is a segment willing to spend a little more for this type of wine.

This introduction of natural wines,

therefore, is not only limited to small groups of enthusiasts but has an increasingly influential impact on distribution and on price points. Retail is embracing 'traditional' organic wines that flank the positive trend of food. Restaurants, even Michelin-starred, gastro-pub or wine bars, have increased the number of these organic or natural wines found on their menu, often to the detriment of famous brands that are perceived as too commercial.

Wines whose price, despite being often higher than that of traditional competitors, does not seem to discourage these loyal consumers.

Such trends do not appear in isolation. Our new report on the alternative wine sector, Global Wine SOLA report, makes the broader point that consumers

are connecting more strongly than ever before with the environmental philosophies of those who produce their wines. While some concepts, such as natural wine, remain vague and poorly understood by consumers (and, it turns out, for many in the trade as well), more tangible aspects of the sector such as organic, or 'sustainable' (however defined) are gaining traction from Japan to Canada.

In this regard, then, Italy's winemaking community seems to be moving ahead of the curve, and strategically find themselves well-placed to advance in both volume and value, in a world market (including the domestic market) that is now valuing environmental sustainability, in all its forms, much greater than in any previous era.

This introduction of natural wines is not only limited to small groups of enthusiasts but has an increasingly influential impact on distribution and on price points.

BEHIND THE SCENES

Interview with Rodney Sammut, Wine Intelligence Country Manager for Australia and New Zealand



Rodney joined Wine Intelligence's Sydney office in January 2018 with 20 years of industry experience. He is the former Head of Customer Insights at Endeavour Drinks Group (Woolworths) and has held leadership positions at Fosters, Southcorp and McWilliams. Here, Rodney reflects on his past four months at Wine Intelligence, starting his university's wine club and trends in the Australian market

WI: What kind of projects are you working on in the Australia office?

RS: It has been a great start for me at Wine Intelligence, and I have dived straight back into the wine category working on a myriad of projects from brand tracking, packaging, communications testing as well as one particular project where we were asked to give direction on ways to improve the presence and imagery of a particular wine region amongst consumers.

WI: What kind of trends have you seen in the Australian market over the last 20 years, and specifically your last four months at Wine Intelligence?

RS: Wow, this is a big question! There have been some fantastic trends in the wine industry over the last 20 years.

When I first started in 2000, the big trend was wine in frosted, curved and coloured bottles with brands like Glass Mountain and Soho. They were never going to last long, but they had a massive impact in the time they were around and moved a lot of consumers out of cask and wine coolers into the bottled wine category.

The rise of cleanskin (unlabelled/unbranded) wines helped Australian winemakers get through

a wine surplus and had the added bonus of starting the journey of many wine consumers today discover more premium wine and better understand wine regionality. However, it had the adverse effect of getting those same consumers expecting good quality regionally declared wines at more affordable prices. This has morphed in the last five years into the 'exclusive brand/private label' phenomenon that we are seeing in major retailers.

Marlborough Sauvignon Blanc replaced Chardonnay as the number one white wine sold in Australia almost ten years ago now and this trend piggy-backed off a massive taste and flavour trend in Australia that saw consumers seek out less sweet / full bodied flavours and more refreshing / tangy styles in the foods and drinks that they consumed.

The introduction of screw-caps was the other big trend, but this was more a production led trend that reached a critical mass that consumers really didn't have a choice but to buy in screw-cap.

In the last four months, the biggest 'noise' has come from the full-scale launch of wine in a can within Dan Murphy's and BWS. Whether this is a trend or not is yet to be determined, so watch this space! ...ohh and every few years for the last 20 years I hear Riesling is going

to be the next big thing...unfortunately (especially for me as I am a big fan) we are still waiting.

WI: How do you think the Australian market compares to other markets?

RS: We are definitely more similar than different to other wine markets around the world:

- We are highly parochial in our wine choice favouring own local wines more than other markets
- We have a highly fragmented category that spans multiple price points with thousands of wines to choose from
- We drink wine for the same reason everyone else around the world does for relaxation and reward.

WI: What initially attracted to you to working in the wine industry – and what keeps you there today?

RS: I was definitely a (very amateur) wine hobbyist before I joined the industry having started a wine club at University and spending a lot of spare time in liquor stores discovering new wines (I still enjoy that today). I kind of fell into the wine industry from a career perspective; I was working for a spirits distributor in the late '90s and when they decided to expand into wine, I put my hand up to work on all the pitch documents and marketing material for potential wine suppliers. When we started to meet these suppliers, and taste their wines, it kind of became a no brainer – how could you turn down wine tasting at work! I then started actively seeking opportunities in the industry and haven't looked back.

WI: What are your favourite wines or regions of wine?

RS: Of all the questions you have asked me this one is the hardest as I like so many! But despite my quip about Rieslings above, I am a massive Riesling fan (Eden Valley) in whites and Shiraz fan (from all over) in reds.

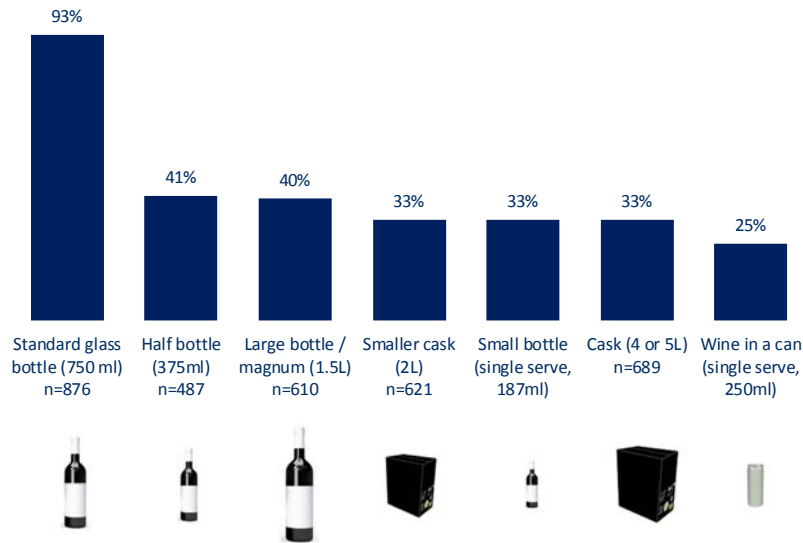
Australia & New Zealand Stats of the Quarter

Wine Packaging Formats and Closures in the Australian Market 2018

Packaging consideration

Currently, wine packaged in a can has the lowest levels of consideration amongst wine drinkers in Australia

% who would consider buying wine in the following types of packaging formats
Base = All Australian regular wine drinkers who are aware of the following packaging formats for wine



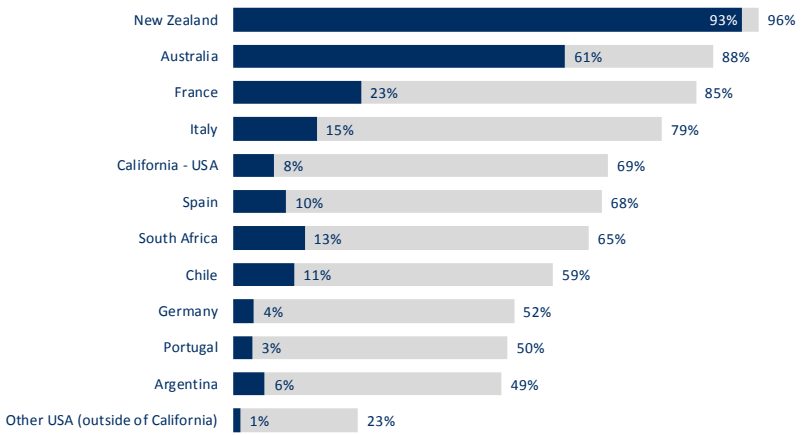
Source: Wine Intelligence, Vinitrac® Australia, Oct'17, n=1,000 Australian regular wine drinkers

New Zealand Landscapes 2018

Country of origin awareness and consumption

While consumers show high awareness of countries like France and Italy as 'wine-producing' markets, the majority of actual consumption still comes from the domestic market

Base = All New Zealand regular wine drinkers (n=1,000)



Source: Wine Intelligence, Vinitrac® New Zealand, Oct'17, n=1,000 New Zealand regular wine drinkers



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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