

# wineIQ

WINE INTELLIGENCE QUARTERLY

Q2 2016 | Issue 1



# THE NEXT GENERATION

Understanding the new youth making an impact on the US wine market

How things are looking good in the UK on-trade

Changing wine label preferences in China



# Global Consumer Trends

## Decoding the future

### Wine Intelligence Global Trends Roadshow 2016



Join us at one of our interactive workshops to explore the latest in global behavioural and attitudinal consumer trends.

Investigate which trends will be impacting the most in 2016 and how these will affect the development of the drinks categories specifically.

#### Half day includes:

- Interactive workshop
- Trends workbook
- Small scale to maximise engagement
- Refreshments
- Networking

"The Wine Intelligence Madrid workshop was a great opportunity for the Spanish wine industry to get together under one roof to work together and discuss the latest consumer trends in the market. It was very interesting and very much on track with the direction where we need to go as an industry"

- Enrique Valero, General Manager, Abadia Retuerta

### Venues:

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WSET
- **Madrid** - 20th April  
The Craft
- **Lisbon** - 21st April  
Instituto da Vinha e do Vinho
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- **Soave** - 27th April  
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### Price

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- €130 Madrid/Lisbon/Soave
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**Any questions?**  
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## Comment

Welcome to this first edition of Wine Intelligence Quarterly, published exclusively for our global client base four times a year. It might seem a bit counter-intuitive to be launching an old school paper magazine into a world where electronic news and information is so dominant. However in several recent discussions with clients, Lulie and I learned that there was a need for a more considered digest of news and insights about global wine consumers.

A quick glance at some of the subjects we touch on in this edition suggests there is a great deal for our industry to reflect on at the moment. Wine is experiencing a surge of interest among younger adult drinkers in key consumption markets, especially the USA, currently the world's largest market for wine and arguably still a long way from maturity. In an even more volatile market, China, younger consumers are ripping up the established rulebook for wine, and creating new opportunities – and upheaval in the supply chain – with every passing month.

Thanks to a much-anticipated recovery from the Great Recession, the on-premise in the US and UK is also seeing a revival, though with an increased requirement to be more creative, more frequently, to maintain consumer interest against the temptation for eating at home and enjoying an evening of high quality pay-TV drama.

In both on-premise and off-premise, the Prosecco juggernaut rolls on, shifting attitudes to sparkling wine and almost single-handedly creating the "small celebration" occasion, where people feel moved to celebrate simply because they have succeeded in making time in their busy lives to be in the same room as each other.

One or two of the articles towards the end of this edition may be familiar to dedicated readers of Network News, our bi-weekly blog post – we have reprinted them here in case you missed them, and expanded them slightly to offer a few more facts and insights that didn't make it into the electronic edit. At the end of the issue, we will be running a series of behind-the-scenes interviews with some of our key team members, starting with Tetyana, our global quantitative research supremo.

Given this is shiny and new, designed for you, and built by an agency which asks others' opinions for a living, we would welcome suggestions and feedback on the sorts of things we should be covering, please email myself ([richard@wineintelligence.com](mailto:richard@wineintelligence.com)) or Lulie ([lulie@wineintelligence.com](mailto:lulie@wineintelligence.com)).



Richard Halstead  
COO, Wine Intelligence



# The consumer around the corner

Image: © Shutterstock / BigLike Images

With Millennials already the largest wine drinking demographic in the US, and as the first members of the next generation reach drinking age, will the wine market see major change?

It used to be so simple for the US wine industry. All it had to do was keep its existing customer base of 30-plusses happy and wait for younger drinkers, who were starting out in beer and the accessible end of the spirits market, to grow up and develop more sophisticated palates. Eventually, like the generation before them, they'd discover a taste for wine and, thus, the future consumer base would be secured.

But, like most aspects of the modern world, things are no longer that simple and the industry is no longer future-proof.

On the face of it, the hoped-for long-term future generation of wine drinkers—the Millennials, aka Generation Y—are a shoe-in: passionate about the things they love, keen to learn about the stories behind products and connected like no other generation before them in a way that helps them both discover great stuff and sift out the rubbish.

But in reality, some Millennials will be less cash-rich than their predecessors—they may not always be able to

afford what they want, or what the wine industry would like them to buy.

Robert McMillan, executive vice president of Silicon Valley Bank and author of its 2015 report on the sector, wrote: “We believe we are trending to a transition point that will prove choppy for most retailers, as the boomers hit retirement and the economic state of the Millennials replacing them is clogged with high levels of student debt and weak job prospects.

“While all data point to increasing desire for consumer fine wine in the US population, the capacity for these younger consumers to move upmarket may be impacted.”

Wine Intelligence’s own report on Future Wine Consumers in the US shows that both Millennials’ willingness and capacity to buy into the wine category—and those of the next generation, who are not yet in the category at all—are crucial questions for the industry to address in the years ahead.

The report shows that Millennials currently account for

around one in three regular wine drinkers and hold their own on per capita spend and consumption.

It goes on to model different projections for how the market might look in 2025, depending on to what extent Millennials continue with their current drinking habits or adopt those of their forebears in Generation X.

In the most realistic model, where they do a bit of both, the size of the total market will increase by 40% to \$43.3 billion, according to Wine Intelligence projections, with younger Millennials spending an average of \$463 each a year and older ones \$519. Some 22.7 million people from the next generation, born after 1995, will become regular wine drinkers, spending an average of \$439 per capita.

But that’s not to presume that everyone in the wine industry will be a winner and that some won’t find it, to use McMillan’s word, “choppy”.

Wine Intelligence’s Chief Operating Officer Richard Halstead says: “There’s a lot of complexity there. There’s a huge difference between Millennials and previous generations in the way they access stuff through the internet and social media. Young people are much more outward-focused and have an unprecedented set of reference points to access information.

“This should be natural fertile ground for wine, but it also means they have much more of an interest in craft beer, spirits and other drinks.

“The bottom line is that no one has the right to own these people’s drinking habits.”

And even where Millennials are drinking wine, the same applies to both individual producers and countries, says Halstead.

The Baby Boomer generation’s preference for California,

“We’ll see a gradual shift towards drinking less but better and these consumers will be more discerning about what they’re drinking”

France and Italy, and the Generation X thirst for the New World’s big-hitters, is slowly giving way to a Millennial interest in countries less historically strong in the US market, including Portugal and New Zealand, as well as the outer limits, such as Oregon, Washington and Canadian ice wine.

“We’ll see a gradual shift towards drinking less, but better, and these consumers will be more discerning about what they’re drinking and choose from a much broader portfolio,” Halstead suggests.

Despite any concerns over future spending power, Project Manager Luis Osório says that the Millennials could be good news for prices and margins. “The sweet spot is between \$15-20 a bottle and they are much more likely to buy from specialist wine shops,” he says. “Countries like Chile, Australia and much of California are typically priced below \$10, which is too low for most Millennials. They’re tired of \$5 Australian Shiraz.”

The next generation after the Millennials will be more choosy, he adds. “They’ve grown up in an economic crisis so they’re expected to be more money-conscious.

“It’s not that they won’t be prepared to spend money on a bottle of wine, but it will need to be a good one with an interesting story behind it.”

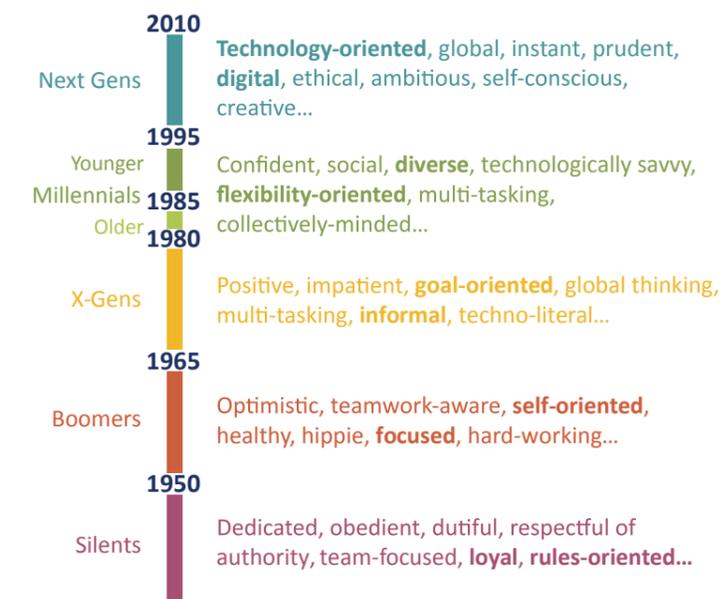
And the fundamental shift in shopping habits might spell bad news for others in the industry, not just the more established regions and countries who see their age-old stranglehold on the market threatened.

“Millennials are much less likely to trust the traditional influencers like Robert Parker or the Wine Spectator,” Osório says. Instead they’ll pay much more attention to their online peer groups.

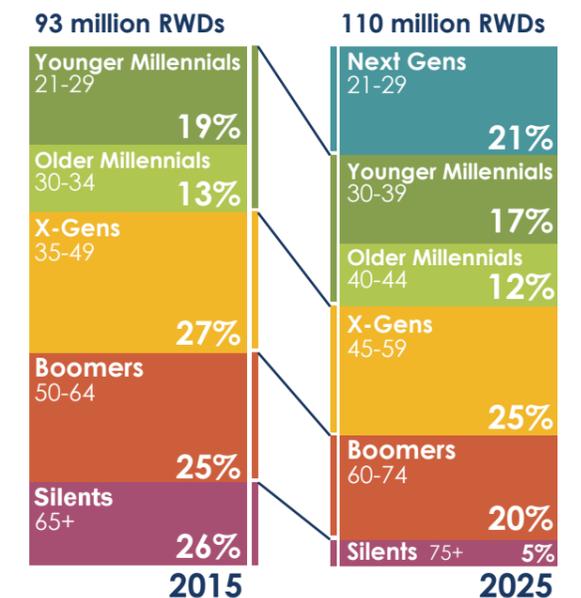
“Millennials will trust other Millennials,” he says. ■

## GENERATION GAME

The next decade will see a major generational change, where Millennials—already the largest demographic group in the USA—will be joined by the ‘Next Generation’, or those born after 1995.



## Wine Intelligence projection for 2025:



Source: Wine Intelligence Future Wine Consumers in the US Market 2016 Report



Image: © Shutterstock / Bilkworldtravel

# On-trade on the up?

The UK on-trade has endured difficult times in recent years, but are wine drinkers giving cause for optimism?

**T**he empty tables on a Friday night are now a thing of the past—mostly. Bookings are up, spend per cover is rising. Even Damien Hirst is becoming a restaurateur again (the second incarnation of his iconic 1990s restaurant Pharmacy is due to open this year). It feels like the good times are back.

And not a moment too soon. It has been a nightmarish 7 years for the UK on-trade: the biggest economic downturn since the 1930s, a collapse in real incomes, soaring fuel costs (a double whammy of discouraging

customers from getting in their cars and increasing businesses' utility bills), allied to a well-conceived and brutally efficient campaign by supermarkets to get consumers to transfer their “going out” spending into meal deals to be eaten at home.

In 2009, according to the UK consumer group the Campaign for Real Ale, an average of 45 pubs closed each week and sales of practically all types of alcohol hit the skids. According to IWSR, UK wine sales fell by an average of 3% a year, and by 7% overall, between 2008 and 2012.

Market data suggests the storm is now largely over. The number of pub closures has slowed, to just 27 a week in the second half of 2015, something of a fragile recovery but still the lowest figure reported for a decade. Wine market data shows a similar arrest in declining on-trade fortunes. Nielsen figures showed the value of on-trade wine sales in the year to last July breaking even, with second quarter figures showing growth of 3% on the same period in 2014. More encouraging still was a subtle but noticeable shift in on-trade wine prices, up by 2% over a year in which volumes remained in decline, by 2%.

The average bottle price was a touch over £14.50, hardly a heart-stopping figure but respectable in a market where many pubs have resorted to charging customers a cash rather than percentage margin in a bid to keep up—or should that be down?—with the supermarkets, and where sub-£10 bottle price deals had become commonplace. According to Wine Intelligence data, 18% of UK consumers were happy to spend £20 or more on a bottle when dining in a restaurant, up from 14% in 2013, while 21% would pay between £15 and £19.99 for wine with an informal pub or bar meal.

The recovery has seen a different on-trade emerge—serving a customer whose needs and nature are changing. New Zealand Sauvignon Blanc has taken over from cheaper Pinot Grigio as the default house white choice in many pubs. New Zealand's on-trade sales were up 24% over the year by volume and average bottle price of the country's wine in the on-trade rose 8%.

“The bottom of the on-trade was around 2012/13,” says Wine Intelligence chief operating officer Richard Halstead, “with the fallout of the recession and a hike in global oil prices making it more expensive to drive a car and to go out. Since then oil prices have gone into reverse and it effectively means the cost of driving has gone down 30% and people generally have more money in their pockets.”

Prices consumers say they are willing to pay for wine in on-trade are rising across all occasions. Parties and big nights out saw 11% of wine drinkers ready to part with more than £20, up from just 8% in 2013. Even the relaxing meal at the end of the day has seen consumers reach deeper into their wallets, with one in three ready to part with £10-£14.99, up from 28% in two years.

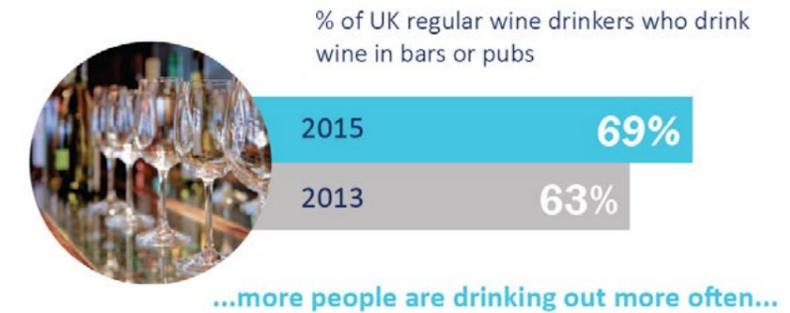
Record low interest rates, unchanged since 2009, have also made some consumers reach the conclusion that they might as well spend what they have than save it.

“The whole sparkling wine boom is driven by a fundamental change in people's attitude,” Halstead suggests. “If a group of people have put aside the time, and made the effort, to come together to enjoy a meal in

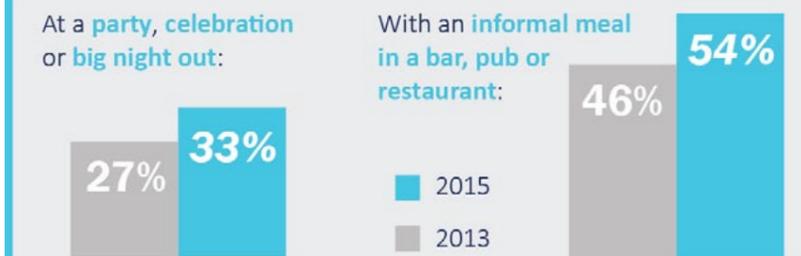
## Selected data on UK on-trade consumption habits



The number of people drinking wine in bars or pubs has increased since 2013...

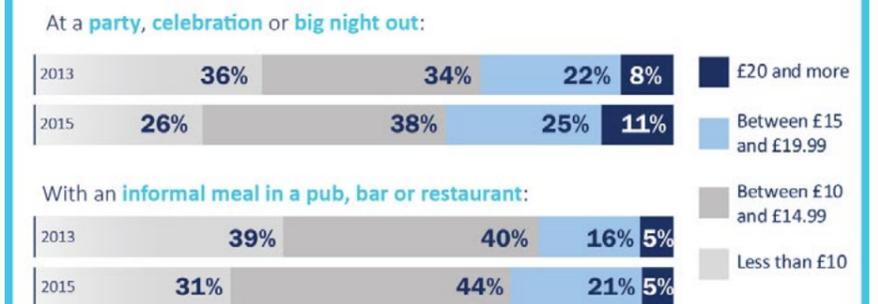


% of UK regular on-trade wine drinkers who drink wine at least once a month in the following occasions:



...and those who are drinking out are spending more

% of UK regular wine drinkers who are prepared to spend the following amounts for the following occasions:



Source: Wine Intelligence UK Landscapes 2015 Report

“At a micro level there's been an improvement in the overall offer of many on-trade operators, with more choice and innovation.”

a restaurant or drinks in a bar, they are now less likely to be nursing a disappointing glass of house white. The occasion needs to be memorable and transformative, and sharing a glamorous and aspirational drink like sparkling wine fits perfectly with this feeling.”

According to Wine Intelligence data, 38% of Prosecco drinkers are now buying in bars and pubs, compared to just 28% in 2014, and the figures for Cava drinkers are similar.

And the performance of Champagne—a traditional barometer of economic→

# CONSUMER TRENDS 2016

The latest Wine Intelligence Global Consumer Trends report explores a number of innovations which are transforming the UK's on-trade. Here are some of the best.

**Instant payment**

The restaurant industry has benefited from the improvements made in instant payments. New technology is reducing customer wait times and improving restaurants' efficiency in turning tables, with Qikserve and Qikr! leading the way.



Qikr! (Australia, USA and UK)

The Mastercard app **Qikr!** is a quick pay and service app, it allows visitors of participating venues to pay as and when they like, instead of waiting for a server. Originally available for restaurants, it has expanded its capabilities into schools, stadiums and cinemas.



QikServe (Global)

**QikServe** is a similar quick pay app, which has recently extended its international ambitions with a presence in Amsterdam Schiphol Airport. The app now includes an 'order ahead' function, allowing customers to order as they are disembarking or even going through security.

robustness—is also encouraging, with on-trade volumes up 4% and value ahead by 17% over the year, and the average bottle price hitting not far short of £60, according to Nielsen.

He adds: “At a micro level there’s been an improvement in the overall offer of many on-trade operators, with more choice and innovation, especially in the casual dining space.”

With competition abundant in the on-trade sector, bars and restaurants have had to innovate in order to stand out from the crowd. Whether they be ultra-focused, single-dish restaurants or fully immersive dining experiences that reintroduce an element of the theatrical to dining, there is an unprecedented wave of both creativity and quality currently evident in the restaurant industry.

This more professional approach to wine by pubs, bars and informal restaurants has taken many to levels of specialism that would previously have been the preserve of fine dining, and seems to be cutting through with consumers. Of the regular on-trade wine drinkers interviewed by Wine Intelligence, 69% said they did so in bars and/or pubs, a significantly higher number than the 63% who did do two years before.

“There is a broader cultural trend of consuming less but better - people may not consume as much alcohol as they used to, but when they do, they treat themselves”

“There are now more places who are taking their wine offering more seriously, both in terms of impressing customers and also driving the bottom line,” says Halstead. “You see better wine lists, constructed in a more thoughtful way with clear price structures, including things like carafes and by-the-glass.”

The idea of a bottle of wine as a mini-treat has also had a positive impact on prices, says Halstead. “There is a broader cultural trend of consuming less but better,” he adds. “People may not consume as much alcohol as they used to when they do go out—but when they do, they want to treat themselves.”

For now, the turnaround in wine's fortunes and the price consumers are prepared to pay rank as encouraging signs rather than a spectacular seismic shift. The on-trade wine market may not yet be out of the woods but at least a chink of light is visible through the trees. ■

**Multi-sensory & immersive play**

Our brains are staying younger for longer and innovations that excite the senses in unusual and unexpected ways are becoming more commonplace. Fully immersive dining experiences are also becoming more popular, bringing a sense of theatre to the on-premise and offering customers an escape from everyday life

At **Alcoholic Architecture**, the creation of food artists Bompas & Parr, customers experience an unconventional way of consuming alcohol. An alcoholic vapour cloud fills the bar, allowing guests to 'drink' the equivalent of one cocktail through their eyes, skin and lungs.



Gingerline

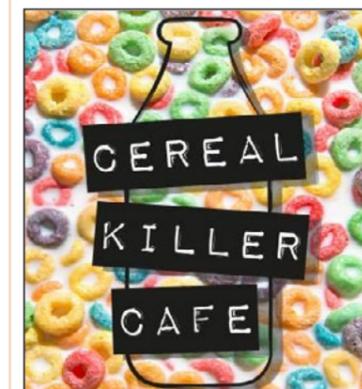


Alcoholic Architecture (UK)

**Gingerline** organise interactive, secret dining experiences located near a station on London's Overground line. Guests discover the location of the event only one hour before, and each event combines theatre, art and food, including live performances and costumes for guests to take part.

**Single dish restaurants**

In a world of ever-increasing choice, single-dish restaurants are providing an antidote to options overload, seeking perfection and specialisation in variations of one dish only. From eggs to toasties, via meatballs and coffee, the possibilities are endless. Single-cocktail bars are an offshoot of this trend, with several emerging who choose to focus on variations of one drink.



Cereal Killer Café serves 120 different cereals



Come Fry With Me offers unusual chip-only dishes



The Gibson is dedicated to perfecting the classic cocktail of the same name

# The Prosecco revolution

Prosecco's monumental growth has shaken the world drinks market over the last 5 years. But is it set to change it for good?

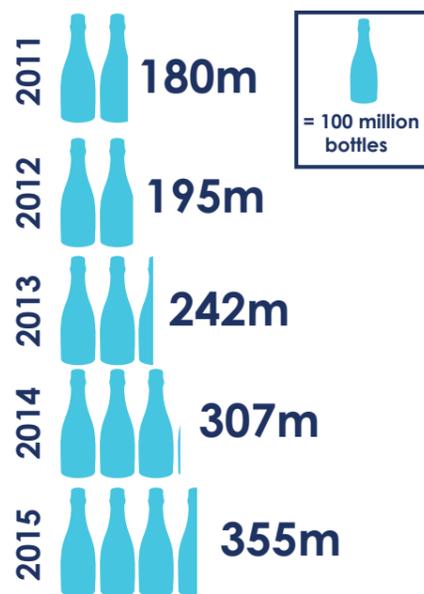
When the world's economy crashed back in 2008, could anyone have predicted that Prosecco would be the drink to reap the rewards of consumers' tighter wallets? Probably not. Nevertheless, Prosecco is the fastest growing drink ever;

with 97.2% growth between 2011 and 2015. Last year, 355 million bottles were produced, and demand does not seem to be slowing. However, while the economy may have been the original factor which first helped to push Prosecco into the minds and

glasses of consumers across the world, many are now turning to Prosecco to suit the occasion on which their drinking, not just their bank accounts. In this way, Prosecco is entrenching itself in several markets—notably in the UK and the US.

## Prosecco production has doubled since 2011:

Year-on-year production of Prosecco DOC and Prosecco DOCG:



Source: CIRVE, Global Trade Atlas

## Some 70% of production is exported, mostly to other European countries:

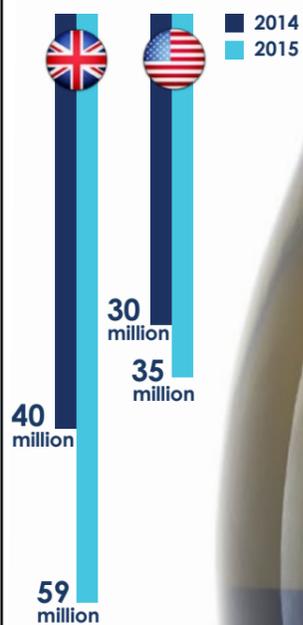
Destination of Prosecco exports by continent (2014):



Source: CIRVE, Global Trade Atlas

## The UK and the USA are the largest export markets for Prosecco:

Millions of bottles exported per country:



Source: CIRVE, Global Trade Atlas

## The USA and the UK both have similar numbers of Prosecco drinkers

Total number of Prosecco drinkers in 2015:

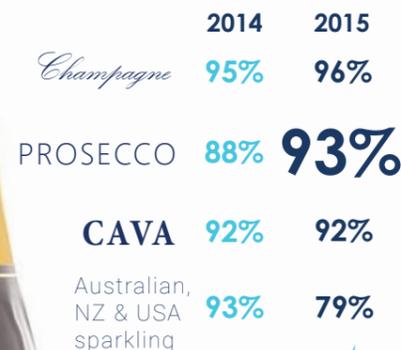


Number of people who drank Prosecco at least once a month in 2015:



## 93% of UK sparkling wine drinkers drink Prosecco

Consumption of selected sparkling wine types in the UK:



Is Prosecco's success coming at the cost of New World sparkling wines?

## How does Prosecco compare with Champagne for UK drinkers?

Prosecco is seen as better value and good for social situations...

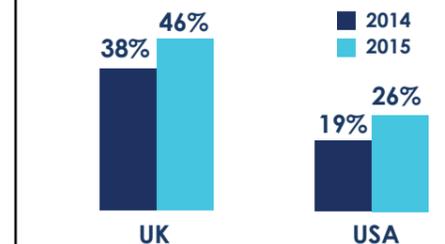


...but still very much lacks the prestige of Champagne



## Prosecco is gaining in popularity in the on-trade both in the UK and in the US

% of sparkling wine drinkers who drink Prosecco in restaurants:



% of sparkling wine drinkers who drink Prosecco in bars or pubs:



## 66% of US sparkling wine drinkers drink Prosecco

Consumption of selected sparkling wine types in the US:



Prosecco was the only sparkling wine which saw an increase in consumption in American restaurants in 2015

## What are Americans saying about Prosecco?

Friends' influence is an important factor for Americans who drink Prosecco, and it has grown across a large demographic range:

"It has been offered to me by friends"  
Female, 40-44, Tennessee

"I seem to be spending more time with people who serve it"  
Female, 30-34, Virginia

"It's new to me and friends seem to like it. I serve it at gatherings"  
Female, over 65, Rhode Island

"It's pretty popular with my friends. I like it and I can get a good quality Prosecco at a decent price"  
Female, 55-59, Pennsylvania

"My partner really likes Prosecco and has been on a kind of Prosecco kick"  
Male, 35-39, California



# Navigating the Chinese wine aisle

Image: © Shutterstock / 06photo

The typical Chinese wine consumer is changing rapidly. Is this affecting wine label preferences?

If a producer were set on launching a wine in China he or she might be easily tempted to stick a dragon on the label—but to bank on the notion that dragons will sell wine in China would be to bank far too heavy on lazy cultural stereotypes.

The Chinese wine market is changing fast and to a new generation of younger drinkers, dragons are all just a little bit passé. So too are decidedly French-looking labels that major on pictures of chateaux, vineyards and traditional typography.

Instead, a 2015 Wine Intelligence report on label design preferences of Chinese wine drinkers revealed that packaging that projects a modern image, quirkiness or elegance is in.

Research manager Chuan Zhou says: “From a consumer point of view, there are more young and female consumers who are drinking wine and that’s influenced the trend for label design and packaging.”

“Young consumers find “eclectic” and “modern contemporary” designs more fashionable and stylish.”

Those “eclectic” and “modern contemporary” descriptions are just two of eight distinct types of labels that Wine Intelligence asked consumers to rank. The eclectic design—with a quirky image, bright colours and a black background—came top for attractiveness, quality and likelihood to buy.

“There are more young and female consumers and that’s influenced the trend for label design and packaging.”

The modern contemporary look—an up-to-date, stylised image with muted colours and an uncluttered layout—came second in each category.

Both design types scored highly with a consumer group dubbed the social newbies, who account for almost one in four of all imported wine drinkers and 18% of spending power in the wine market as a whole.

And perhaps most significantly, in a challenging market, both scored highly on perceived price. Three out of 10 consumers thought the eclectic design was suitable for sale at the RMB500 (\$75 USD) price point.

China is coming to terms with a spectacular slowdown in the economy, and the clampdown on prestige gift-giving has slammed the brakes on for chunks of the alcoholic drinks market, particularly luxury wine marques and global spirits brands.

The pace of change in wine label design preference has been no less dramatic. When Wine Intelligence carried out similar research as recently as 2012, the top two label design categories were “prestigious”—premium-looking labels with details that project prestige and history—and “stately”—a traditional look with vineyards and chateaux, the clichés typically used by Old World producers to convey quality and provenance.

Three years on, the prestigious design was holding up well, though it had slipped to third for attractiveness and likelihood to buy and fourth on quality perceptions →.

## THE LABEL TEST

With the help of label design specialists Amphora Design, Wine Intelligence developed to illustrate the core features of each category of labels, and tested them in online surveys and with over 1000 Chinese drinkers of imported wine.

A multitude of factors were measured, including attractiveness, quality, and likelihood to buy.

Eclectic and modern designs fared the best amongst Chinese consumers, with more traditional designs falling behind for all three measures.

Source: Wine Intelligence China Label Design 2015 Report

### Eclectic:

Quirky image combined with bright colours with black background colour.

**Suitable occasions:**

- During a **business lunch/dinner**, or **gifting**
- Celebrating a **special occasion** at home
- With a more **formal meal** in a restaurant
- At a **party/celebration/night out**

**Attractiveness: 1**  
**Quality: 1**  
**Likelihood to buy: 1**



**Modern contemporary:** Contemporary stylised image with muted colour palette and elegant look

**Suitable occasions:**

- Frequent drinkers who are used to traditional wine labels tend to find it **special** and **interesting**

**Attractiveness: 2**  
**Quality: 2**  
**Likelihood to buy: 2**



### Prestigious:

Premium-looking label with distinctive design and details that project prestige and history

**Suitable occasions:**

- **Popular** and the **least controversial** design.
- Consumers are more **comfortable** drinking this wine during **informal occasions**.

**Attractiveness: 3**  
**Quality: 4**  
**Likelihood to buy: 3**



### Modern vibrant:

Dominant bright colour, combined with classic logo and minimal text

**Suitable occasions:**

- Most attractive to **highly-involved drinkers** who are open to try different wines
- Also attractive to **newer drinkers** who rely on **strong identity cues** to remember the wine they like.

**Attractiveness: 4**  
**Quality: 3**  
**Likelihood to buy: 4**



**Elegant contemporary:** Modern, creative design reflected in unusual label shape and images

**Suitable occasions:**

- Believed to have **thought-through** design, which can be translated into **good taste** and **quality**.
- Tends to attract **Developing Drinkers**, whose wine choices are led by taste.

**Attractiveness: 5**  
**Quality: 7**  
**Likelihood to buy: 7**



### Domestic:

Domestic wine with Chinese characters on a traditional looking label

**Suitable occasions:**

- **Low priced** positioning.
- Appeals to drinkers with **lower engagement** with wine.
- Seen by consumers as **approachable** and **reliable**

**Attractiveness: 6**  
**Quality: 5**  
**Likelihood to buy: 5**



### Stately:

Traditional design with use of vineyard or chateau images to indicate quality/provenance

**Suitable occasions:**

- **Low popularity** with **low to mid expected price**.
- Seen as distinguished, but also strongly associated with being **conservative** and **dull**.
- Likely to be chosen as a **safe option**

**Attractiveness: 7**  
**Quality: 6**  
**Likelihood to buy: 6**



### Modern classic:

Simple, clean label on white or cream background emphasising brand name

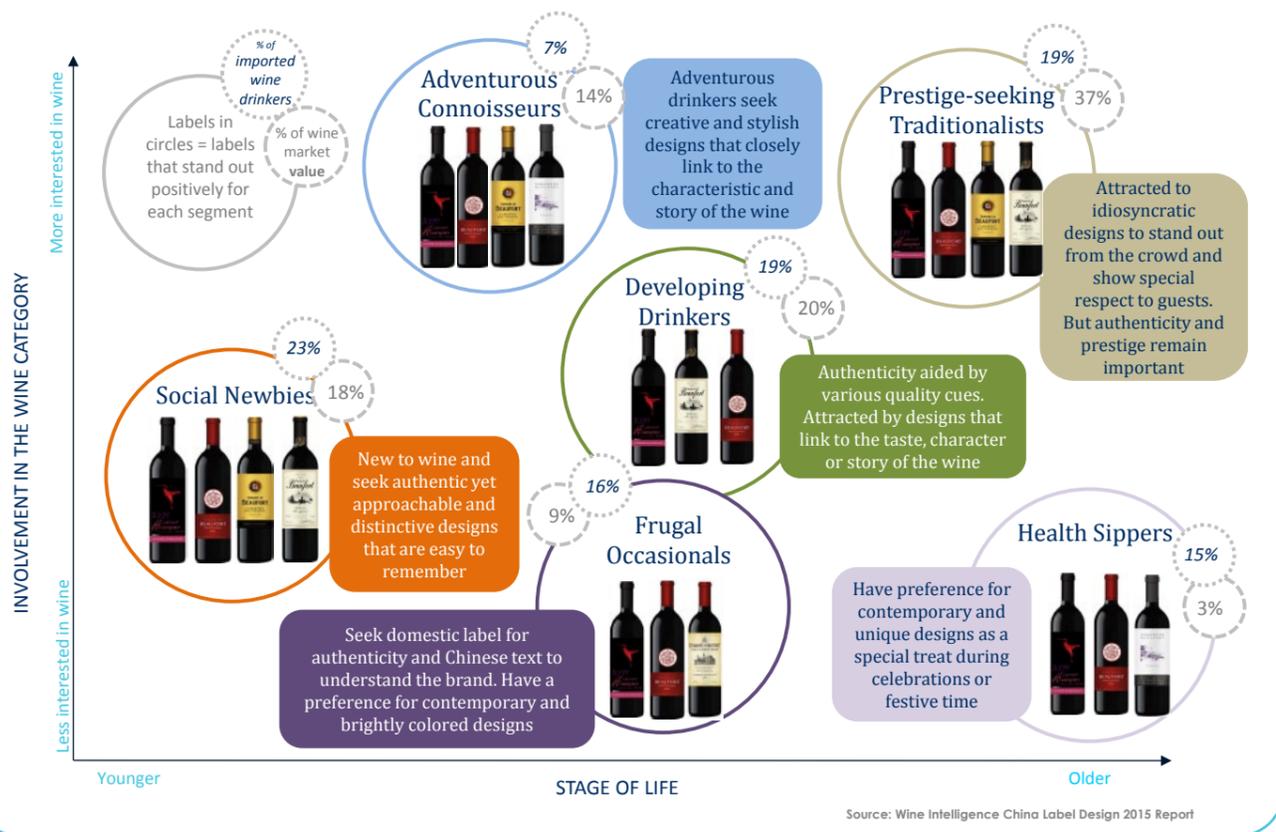
**Suitable occasions:**

- **Approachable** but ordinary design
- Social Newbies are more likely to buy it as a **safe option**.
- Quality perception can be improved with larger front label size.

**Attractiveness: 8**  
**Quality: 8**  
**Likelihood to buy: 8**



### Wine label preference according to stage of life and involvement:



But the appeal of stately-looking labels had crumbled, ranking just seventh out of eight for attractiveness, and no longer even denoting consumer faith in a wine's quality, where they ranked sixth.

Zhou says the shift in perceptions about design reflects wider changes in the wine market, with less emphasis on the prestige gift market and more wine bought for consumption at home.

Domestically-produced and French wines are gradually giving way to the New World, Spain and Italy on retailers' shelves, with brands like Jacob's Creek, Campo Viejo and Yellow Tail increasingly making their mark.

But the shift is evolutionary rather than revolutionary, with the enduring strength in supermarkets of cheaper, private-label wines—typically selling for under RMB100 (\$15 USD)—meaning that “international brands are not as successful in China as in other markets,” says Zhou.

Label design is just one part of a bigger jigsaw for brand owners. “It's only those brands that have invested in substantial levels of marketing in China that have achieved good awareness and success,” Zhou adds.

“In some supermarket chains more than half of the wines are still from either China or

France. If you go into Carrefour in Shanghai, for example, the wine fixture still looks very French in style.”

It's clear that international brands or smaller individual producers who do want to crack China aren't going to do so on label design alone – without the marketing investment to back up their image – but paying attention to the small nuances of detail can help to give producers' packaging an edge.

Certain aspects of design can act as significant cultural signifiers in China. Consumers think Western typography makes wines look good, but it also sends out a message about quality to consumers.

The generic label design classified as “domestic” in the Wine Intelligence research—the only one with prominent Chinese characters on the front label—ranked just sixth out of eight for attractiveness in 2015.

While all bottles are required to have Chinese back labels containing technical information, Latin script scores highly with Chinese consumers on the front label.

“In general,” says Zhou, when consumers see Chinese characters on the front label it will raise questions for them about the authenticity and they will assume that it is a domestically-made wine.”

Colours also hold cultural significance that can feed into the success of a design. “Red, for example, means good luck,” says Zhou. “If you want to target the gift market or New Year that can be a good colour to have. Understanding the market is very important.”

Animals are also highly significant in the country's culture, especially those associated with the Chinese zodiac. Ambitious Chianti producers might want to be alert to the fact that 2017 is the year of the rooster, while anyone with a dog on their label and an eye on export opportunities should make a diary note for 2018.

And don't forget those dragons have to be approached with caution, as they are seen as “old-fashioned and associated with domestic products”, says Zhou.

Marketing and image aren't the only ways consumers build perceptions of a brand, either. Choosing retail or distribution partners is also an important part of the mix. “Counterfeiting is still a big issue and consumers are very sceptical,” Zhou adds. “Which retailer you work with affects the level of trust you have among consumers and the brand perception.” ■

# The diverse future of wine

Looking towards two emerging wine markets: how are Poland and Angola faring?

Emerging markets account for 14% of the world's wine consumption but hold the promise of much more in the future with annual growth running at 3%, against declines in mature and established markets.

Two of the more interesting emerging markets—defined by Wine Intelligence as those where wine is experiencing growth and showing potential from a small base—have a very different look.

Poland was a rare source of economic growth while the rest of Europe was in the grip of the 2007/8 recession. Affluent young people have happily added wine to their drinking repertoires while most of their parents' generation stick to more traditional beer and vodka.

In-home wine drinking occasions tend towards formal dinners and celebrations rather than a glass to unwind or eating in front of the TV, though the popularity of by-the-glass has helped wine to make an impression in informal on-trade occasions.

“Carlo Rossi Californian wine is easily the biggest brand but after that there is no dominant country, with several all having a share of around 5% or 6% of the market,” says Juan Park, research director at Wine Intelligence. “It's all up for grabs.”

Meanwhile, looking south, dominance of domestic wine in South Africa makes Angola—perhaps surprisingly—the largest consumer of imported wine in Africa, accounting for a third of the total for the whole continent.

Angola's past as a colony of Portugal means that the latter's wines dominate the market. No surprise there, but who's drinking it is more striking.

Luis Osório, senior research analyst at Wine Intelligence, says: “Usually in emerging countries wine is consumed mostly by an elite, but in Angola it is a daily drink for all kinds of people.”

An elite of sorts has played its part in

Top: Affluent young drinkers are turning Poland into a promising wine market for the future.

Right: Wine isn't just reserved for the elite upper class in Angola, being enjoyed as a daily drink by all kinds of people



Angola's emergence as a wine market, however.

“Upper and middle class people typically study in Portugal and go back to Angola a bit more travelled and more familiar with wine,” says Osório. “They are a small but group but an influential one.”

While many wine markets become more fragmented as they grow, Portugal has actually tightened its grip in Angola in recent years.

Osório says: “It has around 95% market share but this used to be less. Angola was one of Portugal's major focusses during the economic crisis to try and drive wine exports.”

One of the issues for many emerging markets is the potential for political and economic volatility. Poland's membership of the EU means it has relatively little red tape and few concerns about corruption. However, the recent election of a right wing populist government with a more isolationist

perspective is “making the rest of the world a little nervous”, says Park.

For Angola, the difficulty is the global slump in oil prices. Osório says: “The economy is dependent on oil and the cash has not been flowing in as it was before.”

Increased import duties and a strong dollar have also brought higher prices for consumers.

“If in six months the oil price manages to return to \$70 or \$80 a barrel things will turnaround,” he adds.

But that price seems a pipe dream despite more stability in early February, with Morgan Stanley forecasting under \$30 a barrel with the end of this year with \$50 as far off as late 2017. “If it doesn't improve it could be a complete disaster for Angola,” says Osório. ■



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## Playing catch-up

With well-being factors driving so much of the modern consumer's behaviour, are lower alcohol wines meeting expectations?

Few drinks categories display such a disconnect between what the consumer wants and what the consumer gets as low- or lower-in-alcohol wines or wine-based products.

The last part of that opening sentence merely serves to emphasise many of the issues in an area of the market where producers largely have their hands tied—one by regulation on what they can call such products, and the other by the limitations of the technology available to enable them to make products to satisfy discerning consumers.

Wine Intelligence has highlighted many of the issues around this category in a 2016 Multi-Market Perspective report and chief operating officer Richard Halstead says: "If you take the UK as just one example there is a growing interest in lower-ABV wines but there's a fundamental problem around availability and the perception of poor quality.

"The demand is there for health or lifestyle reasons but it's not reflected in the quality of the offer. Lower-alcohol is often seen by consumers as a poor relation."

Confusion over definitions and discrepancies in tax between some major markets also act as a disincentive to global producers to invest in product development.

Consumer needs for lower-alcohol can also vary widely from market to market, making the development of global strategies more challenging.

In the Netherlands, drink-driving is the number one motivation for potential consumers,

while in the UK the belief that such products will be better for their health is king.

Barriers to purchase are also very different between international markets. One in five Canadians surveyed say they regarded reduced ABV as representing poor quality, against just 8% in Belgium. In France, clarity of labelling was a big turn-off, with 21% saying they couldn't tell from the bottle what such products are, against just 7% of consumers in Germany.

Some common themes do prevail, however. "There is an issue around choice and producers creating products that are drinkable and that permit consumers to take the option of drinking reduced-alcohol wine should they wish to do so," says Halstead.

But even this is not universal. The trend to produce lighter wines in the US does seem to be cutting through with consumers to some degree. In the Wine Intelligence report, 45% of American consumers say they enjoy the taste, compared with just 18% of consumers in the Netherlands.

The overall assessment is that somehow the industry must learn to do better if it wants

to win in this category—and the UK's relatively stingy tax breaks make it arguably the toughest nut to crack.

"Availability is generally poor and there's little to differentiate the category at retail level unless you look very closely at the label," says Halstead. "With one or two exceptions, the quality is not there and the price-tag is too high. Even wines at 5.5% ABV in the UK can cost as much as a 9% ABV Riesling or a 13% Pinot Grigio.

"Fundamentally, there's no tax advantage in launching products or any commercial incentive to do so."

And until there is a clear commercial incentive, lower alcohol wines will simply have to up their game if they are to meet consumers' expectations. ■

### Motivations for buying lower alcohol wines

- Health concerns
- Having to drive
- Being on a diet
- The negative effects of drinking alcohol
- Wanting to stay in control

### Barriers to buying lower alcohol wines

- Lack of awareness and availability
- Negative taste perceptions
- Preconceived notions of what constitutes 'wine'
- Seen as poor quality



Image: © Shutterstock / Kwangmoosara

## Brands: turning tides?

Despite prophecies of doom, some brands seem to be doing quite well in the UK supermarket channel

Once upon a time – perhaps 30 years ago – being a brand manager in fast-moving consumer goods (FMCG) looked like the best job in business. Yes, it represented huge challenges: understanding consumers, outflanking wily competitors, preserving the brand's integrity from the internal cost-cutters, and keeping up with changing fashions. However it was also fun, exciting and—if you got the strategy right and the marketing mix properly aligned—highly rewarding.

Who would want to be a brand manager these days? Retailers are lining up to beat you down on price and eat your lunch with similarly-packaged own label imitations. You have more and more ways of spending marketing budgets, but return on investment is difficult to find with fewer eyeballs to chase as consumers find craftier ways of avoiding ads. And too often, brand strategy is now in the hands of the accountants, which means cynical margin-shaving tactics (a few less beans in the tin, a smaller biscuit) and slashed marketing budgets.

This reversal of brand management fortune has been most keenly felt in areas where brands have traditionally been strong, such as packaged food, household goods and toiletries. The wine category has arguably been less affected, particularly in the UK, where for the past 20 years brands have faced an uphill battle with supermarkets for control of the category, and margins were traditionally thinner—so less marketing cash to spend in the first place.

However it may be that 2016 will be a year where brands gain the upper hand in the UK—at least temporarily. Why might this be?

First, economic winds are blowing favourably at the moment, and a distinct segment of consumers are actively looking at ways to trade up in what they buy.

Second, the latest data from the WSTA Market Report suggests that the wine category is continuing to thrive at higher price points: 7.5 million more bottles of wine were sold at over £6 a bottle in UK grocery retail in the year to September 2015 versus the same period in 2013-14, an increase of 4%. Our own Vinitrac purchase data (which broadly points to people spending more money per bottle, particularly for social occasions) suggests this momentum will continue through 2016. Consumers need more reasons to spend a bit more, and often a brand name (often helped by its close relative, a prestigious region) can help nudge their spending upwards.

Third, there are now several branded wine offers that have momentum and strong fundamentals in the UK. Five years ago Concha y Toro's Casillero del Diablo was known by around 20% of UK regular wine drinkers, and had been purchased in the previous 3 months by 5% of that population. Today, awareness of Casillero del Diablo is 65% of regular wine drinkers, and 21% say they have bought the brand. Last year the company reported that the brand was selling 1.1 million cases a year. And all this growth for a brand selling for between £5.99-7.99, in major supermarkets, in the teeth of the worst recession in living memory.

There are other brand success stories in the UK: McGuigan has almost doubled its awareness levels (13% in 2010, 24% in 2015), with corresponding growth in its user base; Yellow Tail has taken its aware base from 24% to 42%; Campo Viejo has done similar (23% to 44%). What do these brands have in common? They have all invested in building their brand awareness through a combination of advertising, sponsorship, events and point of sale; they are all selling mainly at over £6; and their primary route to market is the supermarket. ■

"Consumers need more reasons to spend a bit more, and often a brand name, can help nudge their spending upwards"

# BEHIND THE SCENES

Wine Intelligence Research Manager Tetyana Halutva talks about the particulars of researching wine markets.

## How did you start at Wine Intelligence?

I first joined in October 2012 as an intern as part of my MBA programme. The first three months I had to focus on writing my dissertation for my MBA and my first project was a report on doing business in Russia. After that, I started as a business assistant, and helped project managers with quant work too. Now I'm a research manager and I look after all quantitative processes at WI.

## What does your job involve on a day to day basis?

We are very busy during the March and October Vinitrac waves; there is a lot of preparation involved for these global surveys, so during that time I mainly focus on organising all the surveys, talking to panel providers, getting the best deals, and making sure we are on the same page with the panel providers to ensure we target the right consumers.

At other times, I find myself trying to put together things we have done over the years, because I think WI is a unique company in terms of the data we have - probably nobody else in the world has tracking data like ours over such a long period of time. We have data about consumer behaviour towards wine running back to 2006. Now it's a big chunk of my job to put everything together and check that it all makes sense.

## Do you think researching wine is different to researching other types of consumer goods?

I think for our qualitative researchers it's much easier to gather information from consumers about wine than about other products, because people who volunteer to participate in wine focus groups or interviews are more open and more proactive, and they find it more interesting to talk about wine than about washing powder, for example.

So as a topic it's very interesting; sometimes at the end of a survey we will ask people what they thought of the survey, and often people say that it's really interesting and makes them want to drink wine! It's just a great topic.

## How do you ensure WI's research is reliable?

For established markets like the UK, France or Italy, for example, you don't really expect to see anything 'strange' but we would obviously still do calibration studies there



as in any other markets. We ask the general population how often they drink wine, and then target consumers accordingly and make them nationally representative. But in developing markets—for example we're researching Peru, Costa Rica and Colombia at the moment—we won't have any existing research so obviously a lot of secondary research needs to be done. We have to ensure we are asking the right questions to the right people. For some of them it wouldn't be appropriate to ask, for example, about blush wine, whereas in US that's a common name used for rosé wine.

Obviously, because we mainly focus on online methodologies, we need to keep in mind that internet penetration in those markets needs to be good enough to reach the correct consumers. Also, you have to look at how much imported wine costs; many of our clients are based in Australia, the USA, and Chile, for example, so we need to make sure respondents can afford to buy wine from those countries. So there is a lot of work to be done ahead of even starting research in a new market.

## What has been your favourite project to date?

A challenging and exciting one was last year's Concha y Toro project. It was a multimarket project; we covered 14 different markets and

it was the first project I was assigned to manage. It was challenging because we had tight deadlines, and it was exciting because I was managing it myself for the first time, and of course it was very interesting to see the findings from 14 markets, comparing the results and seeing what's important for the consumers in each of those markets.

## Has the research changed in the last few years?

It hasn't changed much—we try to keep it as consistent as possible in order to track the data. But obviously we need to make sure it continues to accurately represent markets, which do change. For example, in 2006, the spend scale in the UK was different—then, you could buy a bottle of wine for £3. Now you can't. The brands change too—some of what was available 10 years ago no longer is, and new brands have come in to replace them. Casillero del Diablo in the UK has increased its presence dramatically in the last 3 years, from 20% to 65-70%. So we have to keep up with the different markets, but these are always minor changes – we don't change our methodology.

## How has the way Wine Intelligence presents data changed in recent times?

In terms of analysis, it all used to be done using SPSS, our statistical software. Now we have almost completely transferred our analysis to Q, a new software which performs similar functions, but it's much more efficient and gives us results more quickly. You can do lots of interesting things with it, such as mapping or cluster analysis. I think it's a big step forward. A lot of investigation still needs to be done, but it's exciting.

I think it will really decrease the time we spend making tables for clients, and also clients will be able to access data in the cloud, so anyone who pays for it can access it from any part of the world and play with the data however they like.

## Finally—what's your favourite wine?

Being Ukrainian, wine is not a part of our culture and when I came to the UK it was probably the first time I'd ever tried dry wine, but I've learnt a lot over the years. The first wine I really started to enjoy was German Riesling. Then New Zealand Sauvignon Blanc was the next stage for me, and right now I'm very into Argentinian Malbec. ■

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