wineiQ
WINE INTELLIGENCE QUARTERLY
Q3 2017 | Issue 5

The Sparkling Edition

How sparkling wine is taking over the global market

As the sparkling wine category continues to dominate the headlines and outperform still light wines, Wine Intelligence gets to grips with why consumers can't resist the draw of the bubble

12 key trends in the evolving - and diversifying - Chinese wine market

Flavour descriptors for wine: what really tickles consumers' tastebuds

WINE INTELLIGENCE VINITRAC® OCTOBER 2017

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

BRAND HEALTH

LABEL TESTING

BESPOKE QUESTIONS

AVAILABLE MARKETS

Argentina - Australia - Belgium - Brazil - Canada - Chile - China - Colombia - Denmark - Finland - France - Germany - Hong Kong - Ireland - Italy - Japan - Mexico - Netherlands - New Zealand - Norway - Portugal - Russia - Singapore - South Africa - South Korea - Spain - Sweden - Switzerland - UK - US

vinitrac®

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We quiz US Country Manager Erica Donoho on the latest developments in the US market.

Comment

Fashions come and go in the drinks industry; a bit like seasons, only with less certainty on the timing. For our forebears of the 1960s, dark, interesting cocktails like the Old Fashioned and the Sidecar were all the rage. In the 1970s and 80s, it was Liebfraumilch, Chianti, and if you were an American college student at the time (as I was), it was the sweet proto-alcopop known as a Wine Cooler. The 90s brought us cheap sparkling wine (Cava) and big Chardonnay (from Australia or California, depending on your location). The 2000s? Arguably that was the decade of Pinot Grigio, Moscato and flavoured vodka (though not, hopefully, at the same time).

I am not about to put forward a grand unifying theory of alcoholic beverage trends, but there are some commonalities: all were products which became more available to mainstream consumers in a relatively short space of time. Demand was fuelled by positive media coverage, availability and peer behaviour, and in several cases the boom came to a crunching halt because some of the main suppliers started to compromise on quality in search of volume and low prices.

Eventually, the penny dropped with consumers and they moved on. Fast forward to the 2010s and we have a bit of the old and a bit of the new. Cocktails are back in fashion, including the ones from the 1960s (thanks to Mad Men, for example). Gin has staged an astonishing renaissance, breaking out of its long-term decline, and the new inexpensive fizz in our lives is called Prosecco.

The latter is one of our focuses this issue, as we look closely at the consumer behaviour and market forces driving sales of sparkling wine around the world. We look at the English Sparkling Wine phenomenon, and the amazing success that Prosecco is enjoying in the US (among other markets). Sparkling isn't central to our centre-pages infographic about China, where red wine is still the main player, but we are seeing more interest from both trade and consumers in white wines and, to a lesser extent, sparkling.

Finally, we have a behind-the-scenes catch-up with our redoubtable US Country Manager, Erica Donoho, who is celebrating her 11th year with Wine Intelligence, and is known to enjoy a classic Champagne cocktail (Elderflower French 75) or even just a glass of Prosecco (hopefully by a pool). Her message to all those winemakers hoping to sell big in the world's biggest wine market: be genuine, do your homework, and have realistic expectations. ■

Richard Halstead
COO, Wine Intelligence


Photo by Laurent Pamato

News and events

The last quarter has seen Wine Intelligence spread our reaches across the world, with the launch of our 7th global office and the expansion of our team to its biggest ever.

The summer in London is usually a season of rest and relaxation, a brief pause in an otherwise wet and windy London when our team can catch their breath and enjoy a ray of rare sunlight. This year we may have caught some sun, but it was all in the name of Wine Intelligence. A series of speaking engagements took our CEO Lulie Halstead to the coastal paradise of Cascais for the MUST Wine Summit and the lush private woodlands of a Provencal winery. Research Director Chuan Zhou braved the Australian outback (well, Sydney and Melbourne) to deliver a series of lunch time workshops in partnership with Wine Australia.

Juan Park toured his Spanish homeland, delivering a presentation about growth in export markets in Ourense with Taste Galicia, the importance of ease-of-us when marketing innovative products in Girona, and in Jerez, how Sherry could learn a thing or two about keeping up with the times and consumer needs from Port.

You might think that Richard Halstead drew the short straw when he delivered the UK's first English Sparkling Wine Business Seminar at the WSET, just around the corner from the WI offices, but London soared into the 30s. If you closed your eyes and caught scent of the local tapas bar you could almost mistake Bermondsey Street for Barcelona.

This July we launched the latest wave of Vinitrac® in 13 wine markets, engaging still and sparkling wine drinkers around the globe. Our data analysts have been crunching the numbers to bring you our first ever reports on the Chilean wine markets.

Our continued commitment to exploring developing markets means that we have been able to upgrade the IWSR Still Wine Profiler to include data from five new countries - Denmark, Hong Kong, Ireland, Norway and Singapore - in addition to the original 10 key markets. The web-based platform can drill down at a brand level to look at sales volumes over time, who is buying a brand, and how perceptions of a brand have changed over time. As well as brand-level data, users can compare The IWSR's sales trend data and Wine Intelligence consumer behaviour data at a market level.

Wine Intelligence also launched the São Paulo office, welcoming Rodrigo Lanari to the fold. He brings years of first-hand experience operating in the Brazilian wine market to the table. His knowledge, combined with the insight gleaned from our Argentina, Brazil, Chile and Colombia surveys, has honed our understanding of Latin America. Rodrigo joins our recently strengthened team of global analysts, now numbering 25, all working to bring the latest business intelligence to the wine industry. ■

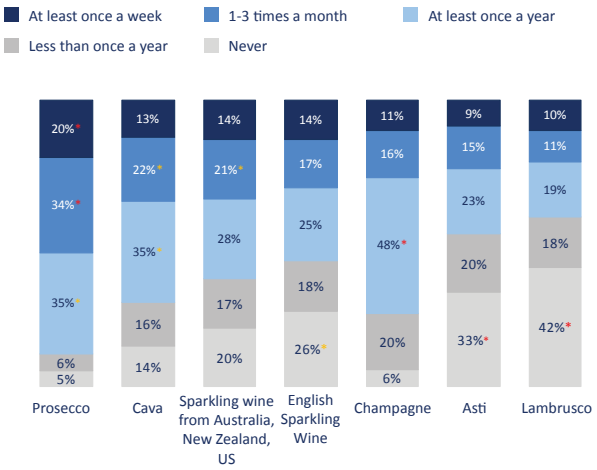
For more information about our upcoming events, Vinitrac® surveys, and the Wine Intelligence & IWSR Still Wine Profiler, visit **www.wineintelligence.com**

STATS OF THE QUARTER

Latest findings from our sparkling wine reports in the UK, Japan and US

Sparkling wine consumption frequency in the UK

Prosecco is the most frequently consumed type of sparkling wine, but 48% of sparkling wine drinkers in the UK consume Champagne at least once a year - likely at New Year's Eve.



Red: statistically significantly higher than **five** or more other sparkling wine types at a 95% confidence level
Orange: statistically significantly higher than **four** other sparkling wine types at a 95% confidence level
Source: Wine Intelligence Sparkling Wine in the UK Market 2017

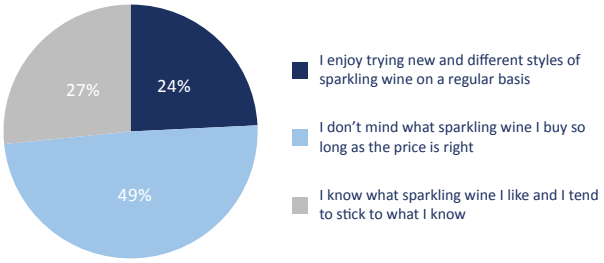
Sparkling wine imagery perception in the UK

Champagne dominates the rankings in terms of quality, sophistication and celebration, but Prosecco is viewed as more fashionable and popular among UK drinkers.

* statistically significantly higher than **two** sparkling wine types at a 95% confidence level
Source: Wine Intelligence Sparkling Wine in the UK Market 2017

Attitude to sparkling wine in Japan

Drinkers of sparkling wine in Japan are more price conscious than adventurous: 49% agree that they don't mind what sparkling wine they buy so long as the price is right.



Source: Wine Intelligence Sparkling Wine in the Japanese Market 2017

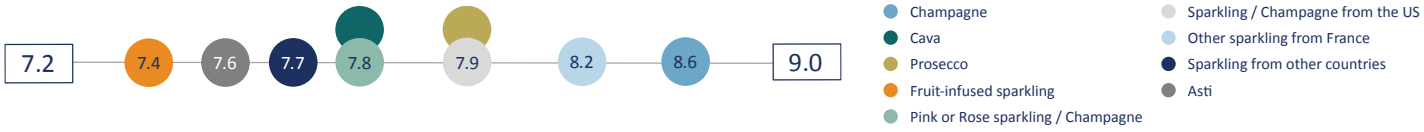
Unprompted sparkling brand awareness in Japan

Size of words: Greater prominence given to words that were mentioned by more Japanese sparkling wine drinkers
Grande Marque Champagne houses and Cava producers garner the most unprompted brand recall.

Source: Wine Intelligence Sparkling Wine in the Japanese Market 2017

Quality perception of sparkling wine in the US

Mean scores were 1 = very poor quality and 10 = very high quality
Sparkling wines from France (Champagne and other) are rated the highest quality of all sub-categories by drinkers of sparkling wine in the US; fruit-infused sparkling wines fare worst of all.



Source: Wine Intelligence Sparkling Wine in the US Market 2017

Visit **www.wineintelligence.com/reports-shop** for more information about our research

The meteoric rise of Prosecco in the US

How a local Italian wine came to the US, saw off the competition and conquered the US sparkling wine market. As part of our Sparkling wine in the US market 2017 report, we take a look at Prosecco's startling rise.

The growth in sparkling wine that we have witnessed across the world would not be possible without the raging success of Prosecco. Classified as a DOC in 1969, the sparkling wine produced here has all the elements that we know consumers flock to: ripe and succulent fruit, gentle acidity and a palatable sweetness. It is no surprise that the humble glera grape has been adopted in every key wine market as a go-to glugger for less formal occasions. The US is no exception.

The US sparkling wine market is almost evenly split between domestically produced sparkling wine and imported sparkling wine; 51% is made on home turf while 49% from overseas. Italy lays claim to the title of most imported sparkling wine into the US: it can also claim an impressive 29% share of the market and a long-term CAGR of 6% from 2012-16. While similar growth can be found for French, Spanish, Argentinian and even German sparkling wines, Prosecco has lead the charge and changed consumer habits beyond recognition.

It's easy-drinking style has wide appeal but Prosecco did not reach these heights on taste alone. A combination of the old P's of marketing – product, price and positioning – allowed Prosecco to take hold of a gap in the market. A fuss-free, every day sparkling wine without the price tag and dusty prestige of Champagne, consumers find Prosecco suitable for almost any situation. Our research shows that Prosecco over-indexes on imagery statements on each of our 3 P's: 27% agreed "I really like the taste," 23% that it is good value for money and 28% that it is a good drink for informal social situations. Its flavour, value and adaptability are the foundations for Prosecco's success.

Make no mistake; the sparkling wine market is crowded. The top 10 sparkling wine brands in the US, in terms of awareness, are dominated by Grand Marque Champagne houses and domestic American brands. While Champagne has always been dominated by big brand powers, Prosecco producers have proved themselves amenable to exclusive label deals. Forsaking individual brand identity for huge volume sales, producers have capitalised on the brand 'Prosecco' much in the same way as enterprising Kiwi producers exploited 'Malborough Sauvignon Blanc'.
Prosecco brands do not appear in the top 20 for sparkling wine brand awareness amongst drinkers of sparkling wine in the US. They fare slightly better in terms of brand purchase; La Marca is the most purchased Prosecco brand in 12th place (sandwiched between the ubiquitous spumante Ballatore and G. H. Mumm). Mionetto, in pole position at number 20, saves La Marca from being the only Prosecco on the

list. How can this be, when 43% drink Prosecco at least once a month? Prosecco producers' reluctance to brand, or rather keenness to coast on the 'Prosecco' name, means that self-reported brand awareness is particularly low.

When producers do brand, however, it can pay dividends. La Marca crops up elsewhere in our research, this time as the top sparkling wine brand that US sparkling wine drinkers would recommend to a friend: 57% of those aware of this brand would recommend it, while only 50% of Moët & Chandon awares would recommend Moët. It is also the second most often purchased sparkling wine brands among those aware of it, with 54% of awares agreeing it is the brand they most frequently purchase. La Marca has cultivated a strong and loyal band of followers.

One of Prosecco's core strengths has been the willingness of producers to adapt to market demands. They 'play the game' and brand their wines under supermarket labels; they have adjusted sweetness levels and styles to ensure enduring appeal; they have redrawn the delimited area of 'Prosecco' to meet the pressures of high demand. Innovation is part and parcel of Prosecco, and producers are still experimenting. With imitators on the rise, like 'Progrigio', businesses are responding in a number of ways.

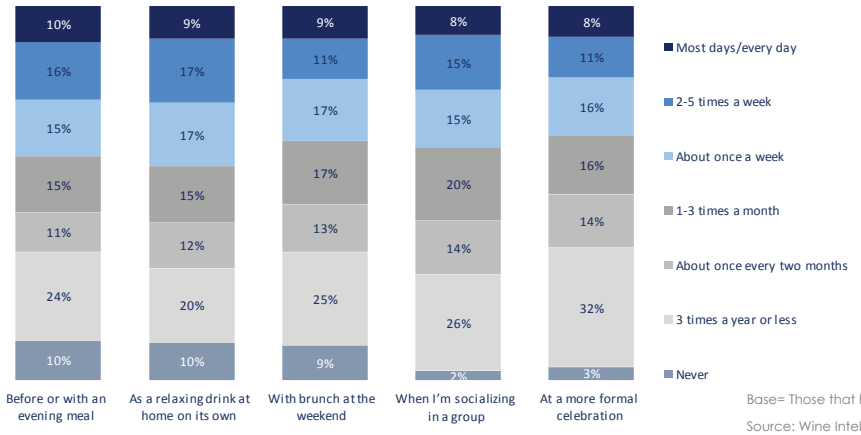
Our research has highlighted which innovations consumers prize the most. The lines between the sparkling wine category and other categories looks set to blur; 225 of US sparkling wine drinkers would definitely consider buying a Prosecco with added fruit flavours (such as strawberry or citrus). Lower calorie and lower sugar, in the vein of Skinnygirl's now famous Prosecco, also have strong favour amongst drinkers. In comparison, the demand for an alcohol-free Prosecco is low: just 12% would definitely consider buying it.

With the future for sparkling wines – particularly Italian sparkling wines – bright, we look forward to seeing what other yet unheard of innovations the Italians will bring to the US market. ■

KEY STATS: PROSECCO IN THE US

Prosecco consumption frequency by occasion in the US

Just how often, and in what circumstances, do US sparkling wine drinkers enoy Prosecco? Our research paints a picture of a consumer base happy to indulge on almost any occasion.

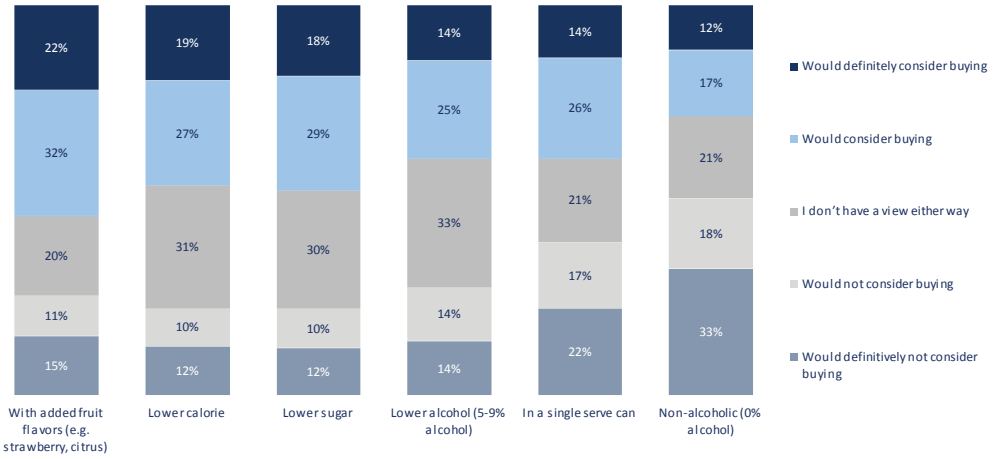


Base= Those that have drunk Prosecco at least once in the past 12 months

Source: Wine Intelligence, Vinitrac® US, March '17, n=1,567 drinkers of sparkling wine in the US

Prosecco sub-categories preference in the US

As the sparkling wine category grows, Prosecco is evolviing into new forms. Our research indicates which sub-categories of Prosecco US sparkling wine drinkers are amenable to.



Base= Those that have drunk Prosecco at least once in the past 12 months

Source: Wine Intelligence, Vinitrac® US, March '17, n=1,567 drinkers of sparkling wine in the US

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

Isabelle Catino,
Director of Marketing,
Kobrand Corporation

Market Insights through our wine market and issue-based reports

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

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

"We are building a strong working partnership with the team at Wine Intelligence and are extremely impressed with their professionalism, dynamism and pro-activity."

Cristian Lopez,
Corporate Export Director Asia,
Concha y Toro

We can help you with

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

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

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

Ricardo Aguiriano, Marketing Director,
Rioja DOCa

English sparkling wine: anything but flat

The first UK Sparkling Wine Business seminar from Wine Intelligence gathered industry experts to give their views on the UK market. Here's what they had to say.

This June, Wine Intelligence co-hosted the inaugural UK Sparkling wine business seminar with WineSkills. An extension of Plumpton College's core course offering, WineSkills organises workshops and masterclasses for the UK wine production industry. Wine Intelligence CFO Richard Halstead was on hand to offer up our latest industry insight to an audience of UK sparkling wine producers. Richard was joined by a panel of experts from every link in the distribution chain, with the views of regional and national wholesalers, multiple retailers and a direct-to-consumer marketer equally represented.

First, some context: UK domestic production has come a long way in just a few short years. As Mike Paul noted, 6-7 years ago UK sparkling wine as a "scarce resource going for an open market". Today, each major regional and national distributor has at least one English wine on their books, usually on exclusive terms. Distributors, he notes, are hesitant to flesh out their portfolio with UK wines: though growing, demand just isn't there yet.

That could soon change. IWSR data shows that the UK is the 6th largest sparkling wine market by volume and our own calibration studies show that we have 16.6 million UK wine drinkers consuming sparkling wine at least once a month. Elizabeth Kelly, panellist and English wine buyer at Marks & Spencer, pointed to a 100% increase in sales of English wine this year alone. Some predictions put UK sparkling volumes at 15.2m cases in 2020, a growth of 5%. With figures showing negative growth for the sparkling wines of France, Spain, Australia, the US and Germany, English sparkling wine is positively booming - albeit from a very low base.

Our panel, made up of representatives from a national and a regional distributor, a national supermarket and a direct-to-consumer consultant, laid out the threats and opportunities facing the UK's established – and up and coming - winemakers.

Can English sparkling wine producers compete against heavy hitters Champagne and Prosecco?

SMALL IS BEAUTIFUL

The key takeaway from the day was small is beautiful. The wine trade is already awash with good-quality juice. History has taught the likes of New Zealand and Spain that nothing brings prices crashing like over-supply. UK sparkling wine has already carved out a niche in the market with prices (and quality) almost matching Champagne. Mike Paul points out that a wave of 'entry level' UK sparkling wine would threaten to flood the market and undermine the foundations of our hard-earned positioning. Low production, high quality and aspirational pricing will help keep our heads above water.

That said, navigating shifts in demand will still prove tricky. A smaller, nimbler outfit will be better equipped to handle bumps in demand and supply than a larger producer. A grower turning out 10-20,000 bottles a year will comfortably turn around the latest vintage's stock, while another producing 100-150,000 bottles, will have to turn to export markets - or build a bigger cellar for their surplus stock.

The consequences of over-supply could bring an otherwise successful business to a crashing halt. If you increase demand for your product first, you can always plant later with the confidence that the market will support your volumes.

LOCAL WINES FOR LOCAL PEOPLE

Elizabeth at M&S made it known that the majority of their English wine sales are driven by local ranges. Their sophisticated customer profiling system allows them to target retail outlets where demand is strongest and fill the shelves with stock where it is most needed. Steve Machin at HT White & Co points to Brighton as an area of interest. This gold mine is just a stone's throw from English wine producers and boasts a thriving restaurant scene and a young, affluent population. Its brisk tourist trade doesn't hurt either.

Andrew Bewes, Managing Director of Hallgarten Druitt & Novum Wines, also favours a targeted, local approach. He estimates that of 120,000 restaurants in the UK, only 10-15,000 will have the right positioning and customer base for UK sparkling wine. Growers should capitalise on local relationships and win listings in quality conscious restaurants that pay heed to local and seasonal produce. A local wine is sure to catch their attention and slot nicely in place with their ethos. MW and direct marketing expert Justin Howard Sneyd later returns to this point, arguing that putting wine in context, with food, as part of a meal, is essential. A lonely bottle shot, no matter how well taken, cannot muster the same emotion and engagement as a tableau of friends and family sharing a bottle over a Sunday lunch.

WINE AND DINE THEM

Many winegrowing regions are already cultivating a reputation as a wine lovers' tourist paradise. Savvy wineries such as Denbies have learnt the lessons it took Bordeaux a century to get to grips with; they have an on-site cinema, restaurant, tasting room and pristine cellar made for wine tours. Visitors can spend hours tucked away in a rural vineyard. If you've managed to draw them there, then you have a captive audience, ready and willing to listen to your message – so make sure your message is consistent, engaging and above all, sharable. Pair free WiFi access with your picturesque view and your visitors will do your marketing for you, sharing their experience across social media.

There are many good reasons to court your customers directly. As a producer, you get to control your message, branding and route to market. You can hold on to impressive margins that you would otherwise have to give away.

There are many good reasons to court your customers directly. As a producer, you get to control your message, branding and route to market. You can hold on to impressive margins that you would otherwise have to give away. Your beautifully crafted wine might go through the hands of a national distributor, wholesaler, and then retailer before a consumer gets to pop its cork. Everyone between you and your consumer's glass wants their cut. Profits aside, you can also get to grips with your customer base directly and understand their tastes and interests and (all importantly) leverage this knowledge to drive volume sales too.

Then why would anyone use a distributor? Andrew is quick to highlight the stark reality of selling direct. You may keep hold of the reigns but your time and energy will be sapped chasing debtors, resolving logistical nightmares and keeping an eye on your sales team. A distributor has years of market experience, a roster of existing clients, a network of highly trained sales, a team of credit controllers and a logistics department. On balance, outsourcing the bulk of the work – and your overheads – to a distributor may prove both liberating and cost-effective.

THE FUTURE OF ENGLISH FIZZ

The recent news that the United Kingdom Vineyard Association (UKVA) and English Wine Producers (EVP) will merge into a single industry body named UK Wine Producers (UKWP) bodes well. Their combined skills and strengths will be important over the coming years. The panel's reality checks concern threats that no one producer can combat: over production and dilution of the English sparkling wine brand.

A single, united vision of what English sparkling wine is (or what it should be), and how to market this vision at home and abroad, will bring the next generation of growers together and help build a resilient industry. Hopefully, with our panellist's advice in mind, the UK growers walked away well-equipped to overcome the challenges to come. ■

Still Wine Profiler

The IWSR and Wine Intelligence Still Wine Profiler, an interactive data tool that combines The IWSR's and Wine Intelligence's market knowledge into one easy-to-use online platform, is now available with the latest industry data.

In the first major update since its launch, the Still Wine Profiler is more relevant than ever before, featuring The IWSR's 2016 sales data and Wine Intelligence consumer data collected as recently as March 2017.

The web-based platform allows you to drill down at a brand level and look at sales volumes over time, detailed profiling of who is buying the leading wine brands, and how perceptions of a brand have changed over time. This can then be compared with up to 50 brands per market, across 20 key markets:

Australia · Belgium & Luxembourg · Brazil
Canada · China · Denmark · Finland Germany
· Hong Kong · Japan · Ireland Mexico · The
Netherlands · Norway · Poland · Singapore
South Korea Sweden · United Kingdom
United States

For more information about The Still Wine Profiler, a collaboration between the IWSR and Wine Intelligence, please contact Chuan chuan@wineintelligence.com

IWSR

12 emerging trends in the Chinese wine market

1 EXPANDING MARKET IN CHINA'S LOWER TIER CITIES

Growing disposable income, coupled with improving distribution logistics, has enabled expanded access in lower tier cities, supporting overall growth in imported wine1, 2, 3

	2011	2014	2016
Urban adult population aged 18-54	335 million	378 million	430 million
	14%	25%	29%
Urban upper-middle class adult population	48 million	95 million	112 million
	40%	40%	41%
Urban upper-middle class imported wine drinkers	19 million	38 million	48 million

2 PERSONAL WINE CONSUMPTION GROWING IN CHINA

Continuing shift away from wine purchased for the benefit of others, to wine purchased for personal, everyday consumption3

WELL-BEING

56% AGREE "Wine is good for my health"

RELAXATION

51% AGREE "It helps me to relax"

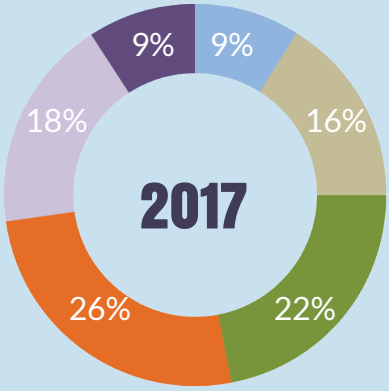
PERSONAL ENJOYMENT

47% AGREE "I like the taste"

3

CHINA'S YOUNGER & DIVERSE WINE DRINKER POPULATION

Diversifying base of wine consumers, becoming younger, more experimental and open-minded3



PORTRAITS SEGMENTATION

- Adventurous Connoisseurs
- Social Newbies
- Prestige-seeking Traditionalists
- Health Sippers
- Developing Drinkers
- Frugal Occasionals

48% of wine drinkers are Developing Drinkers or Social Newbies

4

FLAVOUR NOW KEY DRIVER OF CHOICE IN CHINA

The flavour of wine is growing in importance as a key driver of wine choice, with consumers looking for wines that are suited to the Chinese palate

"Yellow Tail Merlot is very good: fruity, silky smooth, light tannin but full bodied"
Consumer

"Casillero del Diablo Chardonnay: slightly sweet, crisp, light and refreshing, with apple and lemon finish"
Consumer

"Villa Maria Syrah is soft, smooth and fruity. It's very good, although not as full bodied as French wine"
Consumer

5 CHINA'S MARKET IS SEEING STRONG GROWTH IN FRUIT-DRIVEN, LOWER TANNIN STYLED RED WINES

Ongoing growth in the red wine market, with consumers more typically favouring fruit-styled, softer wine with lower tannin and acidity

Red wines that are smooth, medium acidity, fruity and easy to match with food are favoured
Influencer

Tannin is the characteristic Chinese consumers dislike the most
Importer

Red wines that are smooth, medium acidity, fruity and easy to match with food work best
Online wine club

6 STRONG POTENTIAL FOR AROMATIC WHITE WINES

Top 5 white varietals: % who have drunk the following varietals in the past 6 months

1. **RIESLING** 29%
2. **SAUVIGNON BLANC** 25%
3. **CHARDONNAY** 23%
4. **CHENIN BLANC** 15%
5. **MOSCATO** 14%

7 GROWTH POTENTIAL FOR SPARKLING WINES IN CHINA

Strong growth potential for sparkling wine in China, primarily driven by sweeter styles

% who have drunk sparkling wine from Australia, New Zealand or the USA in the past 6 months

2015 22%

2017 32%

8 WINE PREFERENCES VARY BY REGION WITHIN CHINA

Red wine flavour preferences in North, East, South and West China

N DRY FULL BODIED

E FRUITY RICH EARTHY

S FRESH SOFT SMOOTH

W CRISP SWEET LIGHT

9 CHINA OBSERVES A CONTINUED SHIFT TO ONLINE SALES

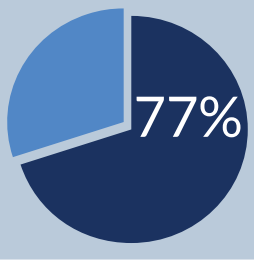
Ongoing shift to online purchasing, driven by ease of access to wine information and recommendation, supported by lower prices

Key retailers (% who mainly use the following physical or online store to buy wine)

1	2	3	4	5
Walmart 沃尔玛	天猫 TMALL.COM	JD.京东.COM	Carrefour	亚马逊 amazon.cn
35% ↓	34% ↑	30% →	27% ↓	24% ↑

10 NORMALISATION OF RETAIL PRICES IN CHINA

Normalisation of retail price, driven by increasing consumer knowledge & ability of online retailers to offer lower prices and price transparency



77% of imported wine drinkers agree wine is reasonably priced vs. 71% in 2015

11 BROADER AVAILABILITY OF WINES IN THE CHINESE ON-TRADE, WITH LOWERED PRICES

There has been an increase in the number of wines available and listed in restaurants and bars, coupled with reduction in on-trade pricing

> Restaurants and bars are lowering their prices. Before, their list would be 4 times cost and now it can be as low as 2.5 times
> ***Importer***

> There are good quality banquet wines at no more than RMB50 and some even under RMB30
> ***Importer***

> Following the austerity rules, providing customers with lower prices in restaurants and bars is the way to encourage sales
> ***Importer***

12 INCREASING ACCEPTANCE OF SCREWCAP CLOSURES

Increasing acceptance of screwcap for wines at lower price points, although more resistance towards screwcaps for red wine, particularly for gifting occasions

Occasion suitability (appropriate or very appropriate)	Screw-cap	Natural cork
A relaxing drink at home	70%	77%
With an informal meal at home	70%	72%
Celebrating a special occasion at home (e.g. Chinese New Year, birthday)	61%	85%
When inviting guests home for dinner	57%	90%
As a gift	50%	89%

Bubbles and brands

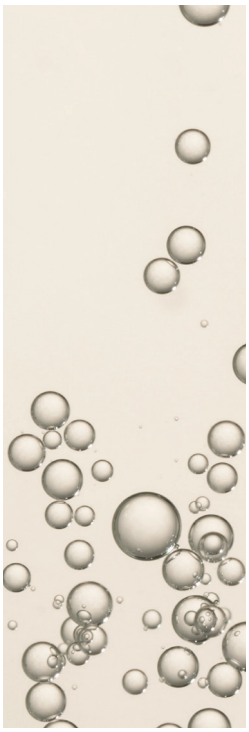
Wine Intelligence reveals what it takes to be successful in the UK sparkling wine category.

Since our last UK sparkling wine report written in 2015, the UK sparkling wine market has continued to see rapid growth. Consumption has grown by 40% by volume over the past 5 years. Although still relatively insignificant compared to the world-leading German sparkling wine market (roughly three times the size), the UK is becoming a key market for sparkling wine producers. During the last recession, UK consumers didn't stop drinking fizz, they just found cheaper alternatives to Champagne, such as Prosecco. As the nation continues to make a slow (and fragile) economic recovery, many sparkling wine drinkers in the UK have developed a lasting taste for these cheaper alternatives. This has resulted in a significant rise in the per capita consumption of sparkling wine: in effect, each of our 26 million sparkling wine drinkers is now drinking, on average, at least two more bottles of fizz a year compared with 2012.

Prosecco, the poster child for sparkling wine, continues to drive volumes of Italian sparkling wine at not only Champagne's expense, but Cava's too. The number of Cava consumers has decreased by 6% since 2015. It is perhaps not simply price but also style that has consumers flocking to Prosecco; it is miles away from the yeasty, bone dry sparkle of Champagne that Cava emulates.

Our Sparkling wine in the UK market 2017 report also reveals that there has also been a noticeable generational shift for suitable occasions on which to drink sparkling wine. While older generations tend to reserve sparkling wine for special occasions such as weddings and christenings, younger generations are more likely to drink sparkling wine as part of their informal socialising, as well as more impromptu celebrations.

The vast majority of the UK's sparkling wine volume is imported. Traditionally a Champagne market, Prosecco has made a stupendous leap in volume terms – essentially a threefold increase in 5 years - from 2.7 million 9L cases, to a market leading 8.3 million 9L



cases in 2016. At the same time Cava has lost around a third of its volumes, and Champagne is also down, albeit marginally. Champagne is still perceived as the sophisticated and elegant choice among consumers, but Prosecco is perceived as a fashionable drink that offers good value for money. While Champagne is still reserved for special occasions, Prosecco appears perfectly suited for both appropriate for both formal and informal occasions, and its strong value proposition has aligned it perfectly with the generation of drinkers who prefer drinking sparkling to still wine.

This aligns with the imagery statement analysis we performed for sparkling wine brands. We find that the Champagne brands Dom Pérignon, Moët & Chandon and Bollinger are naturally grouped together by consumers as brands that are sophisticated, high quality and make a good impression on others. New World sparkling wines such as Jacob's Creek Sparkling and Hardy's Sparkling are grouped around the statement "good value for money". Freixenet and Martini Asti get the dubious honour earning the title "it's often the cheapest".

A cursory glance at wine choice cues is also illuminating. The most powerful choice cue for Champagne is "a brand I am aware of", with 24% of Champagne drinkers indicating it is the most important consideration when buying sparkling wine in a shop to drink at home. Branding plays a significantly smaller role in the decision-making process for Prosecco, where just 18% of consumers rank "a brand I am aware of" so highly. With this in mind, it is hardly surprising that 9 of the top 15 sparkling wine brands by awareness are Champagnes – and all of them Grande Marques, no less.

The other major story in the UK market has been the domestic sparkling wine industry. Though growth is still from a low base, English Sparkling has had an electrifying effect on the UK wine trade as well as influential sommeliers, restaurant owners and supermarket buyers. It has attracted the attention of many investors and has been marked by the media as

an industry to watch in the coming years. While its volumes are a fraction of Prosecco, it is managing to command price points similar to that of Champagne, and, in a small landmark, outsold Australian sparkling wine by volume in the UK for the first time in 2016.

But where are UK consumers buying sparkling wine? Prosecco is the most likely sparkler to be consumed at home or a friend's place, in a restaurant and in a pub or bar. In line with its reputation as a celebratory drink, Champagne ranks in the top three for consumption at home or a friend's place and in a restaurant, but flounders in a more informal bar or pub setting – only Asti fares worse. In the off-trade, supermarkets remain the most popular channel for all sparkling wine types.

As a result, English growers are sprinting to snatch up viable vineyard land. The area under vine, including that for still light wine, has increased two-fold since 2006. In 2016, industry figures counted more than 500 commercial vineyards (comprising of 133 wineries), spread over approximately 5,000 acres of land. Today, according to the IWSR, sparkling wine accounts for 70% of wine volumes in the UK. As both supply and demand are on the up, Wine Intelligence has taken a detailed look at consumer attitudes to English sparkling wines. The picture that emerged was one of a slightly confused and misinformed public.

As with other new consumer goods categories, the relative immaturity and lack of consumer understanding of English Sparkling means that market research data needs to be interpreted carefully. Our studies showed that 74% of UK sparkling wine consumers, around 19 million consumers, claim to have never drunk English sparkling wine. If this were true, demand would have outstripped production levels by a huge margin.

Other scraps of evidence show that some may not have a clear idea of what English sparkling wine even is. A minority of respondents to our consumer survey appear to believe that Blossom Hill and Jacob's Creek are English sparkling wine brands. Our Van Westerndorp analysis, a model used to determine the 'sweet spot' price for a category, puts the ideal price of English sparkling wine at £10-15 – considerably below the average retail price of English fizz.

English growers are sprinting to snatch up viable vineyard land. The area under vine, including that for still light wine, has increased **two-fold** since 2006.

Lack of knowledge and awareness of the English sparkling wine category is the most cited barrier to consumption. 24% of those who have never drunk English sparkling wine mention that "I did not know English sparkling wine existed". For those who do drink English sparkling wine occasionally, 34% state that "it is not always available at the shop I usually buy wine". Unfortunately, this leaves the domestic market in a chicken and egg situation. Demand can't exist without awareness. To boost awareness, more English fizz needs to hit the shelves. But for that to happen, retailers need to be confident that domestic sparkling wines are worth the shelf space – there needs to be demand. There needs to be a concerted effort within the industry to drive consumer education and awareness (and therefore demand) for English sparkling wines to really rise to the top.

Overall, the UK sparkling wine market is showing healthy growth and is expected to continue growing. Although it is still the beverage of choice for special occasions, there is slow trend towards sparkling wine becoming an everyday drink. This will most likely be driven by younger generations who have a stronger interest in sparkling wine and feel it is more important to their lifestyle. ■

For more information about the UK sparkling wine market, take a look at our Sparkling Wine in the UK Market 2017 report.

www.wineintelligence.com/reports-shop

Price: GBP 1,500
(other currencies available on request)

A question of taste: flavour and varietal preference

Tasting notes and back labels are invaluable tools in the wine marketer's armoury. But what do consumers in the US, Australia and New Zealand think about them?

As most readers will understand, the marketing of wine is not a straightforward task. The marketplace is uniquely complicated, fast moving and constantly evolving; as a global industry, we must learn how to market across a broad spectrum of cultures. For some, wine runs through their veins as freely as their ancestral blood; for others, wine is a new category in a beverage repertoire dominated by local beer and spirits.

For emerging and developed markets alike, understanding the local cultural sensitivities and the intricacies of language is necessary to deliver an engaging message to the consumer. How to communicate the experience of tasting a wine (an experience that stimulates all five senses, no less) has eluded winemakers since viticulture began. For the eager readers amongst us, you may have noticed that in the past six months, Wine Intelligence has attempted to understand how to best overcome this challenge. We have conducted research in three key markets – Australia, New Zealand and the US – in a bid to understand how consumers relate to wine label terminology.

It may seem obvious that one of the first steps in wine production, one of the most important, is selecting which varietal to plant where. For the marketer, this choice has immediate ramifications. Varietal choice will frame how a tasting note is written, from generic flavour and style descriptors, right down to specific food recommendations. The complexity of a wine may rest in the hands of your winemaker, but almost any Cabernet Sauvignon can be summarised by "blackcurrant".

For these reports, we asked consumers which varietals they have consumed and which of these are their

favourite; presented with a detailed list of wine descriptors, they indicated which terms they found appealing or unappealing.

For this list, we divided common wine descriptors into two groups - 'style' descriptors and 'flavour' descriptors. Style descriptors express the general structure and body of a wine, whether it be crisp, fresh, juicy or bold. Flavour descriptors are those that describe more specific wine characteristics or aromas such as tropical fruit or blackberry. The two descriptors combined paint a picture of the type of wine consumers prefer. In the US, for example, the two most appealing style descriptors for white wine are "smooth" and "easy drinking" with 86% and 84% respectively. The top two flavour descriptors are "apple" with 65% and "citrus" with 64%. It comes as no surprise, then, that Chardonnay – a smooth and easy drinking white wine with aromas of apple and citrus – is the US's favourite white varietal with 27% of the regular wine drinkers vote.

When we conduct cross-market research, the first question we get asked is "how does one market differ from another?" In truth, drinkers from different nations do not differ too greatly in their tastes and peccadillos. Generally speaking, regular wine drinkers from all three nations questioned (Australia, NZ and the US) share a preference for style descriptors that are fruit-forward, fresh, soft and smooth. Consumers don't want their work cut out for them, wherever they are. In all three countries, the top three red and white style descriptors feature easy drinking and smooth. In regard to specific flavour descriptors, the all-encompassing "berries" descriptor also features in the top three red flavour ranks for all nations with more than half of regular wine drinkers in all nations finding it appealing.

This suggests, perhaps, that consumers perhaps feel more comfortable using general terminology when talking about wine.

The main differences between the nations lies in the strength of appeal of certain descriptors, and in particular, those that regular drinkers find unappealing. For example, although it does feature in the bottom five white wine style descriptors for all nations, the flavour descriptor "buttery" is much more unappealing to drinkers from both Australia and New Zealand than the US. It's quite possible Australian drinkers are still recovering from the hangover of the 1980's highly oaked, big, malolactic Aussie Chardonnays. This descriptor rates particularly poorly, with 39% and 36% of respective Australian and New Zealand drinkers finding it unappealing, compared to just 27% of US regular wine drinkers.

"Generally speaking, regular wine drinkers from all three nations questioned (Australia, NZ and the US) share a preference for style descriptors that include fruit-forward, fresh, soft and smooth."

The US also disagrees with Australia and New Zealand on red wine flavour descriptors; 35% of US regular wine drinkers find "spicy" unappealing. Just 28% of Australian regular wine drinkers and 29% New Zealand regular wine drinkers share this opinion.

Previous research conducted into each market shows that all three countries rank grape variety as the most important choice cue for regular wine drinkers. With this in mind, varietal choice is one of the most important considerations when developing new products. If you don't understand the tastes and preferences of your target consumer, your varietal choice could undermine your success from the get-go.

For this wave of varietal and preference reports, we asked consumers not simply what they drink, but what their favourite varietals are. The most striking trend when we pool our research from these three markets, is that Moscato drinkers overwhelmingly go on to list Moscato as their favourite varietal. Across all three nations, the average rate of converting drinkers of the varietal to those that indicate it as their favourite was 55%, notably higher than other varietals. Moscato is perhaps the very definition of easy drinking and smooth, with a relatively high level of sweetness that can draw in young, uninvolved and inexperienced wine drinkers. Our research demonstrates that younger consumers have a low risk-tolerance and prefer to stick to what they know, boosting Moscato's popularity.

For red wine, we see evidence that domestic production has an impact on local tastes. Australia ranks Shiraz/Syrah highly, while New Zealand plumps for Pinot Noir and US consumers opt for Zinfandel far more than the Antipodeans.

As with all our research, Wine Intelligence aims to provide valuable market insight that can be used to fuel strategic development and affect change. So, what insight can we take away from the research?

The first insight, as obvious as it sounds, is that flavour and style descriptors do matter. There are drastic differences between the appeal of succulent and vibrant fruit flavours like peach (that do garner appeal of 55% of all drinkers) and the developed

The US

Top 5 - Appealing red flavour descriptors (prompted)

% who selected the following descriptors as appealing (4. appealing + 5. very appealing)

1. Berries 74%
2. Blackberry 69%
3. Cherry 65%
4. Raspberry 65%
5. Plum 60%

Australia

Top 5 - Appealing red flavour descriptors (prompted)

% who selected the following descriptors as appealing (4. appealing + 5. very appealing)

1. Berries 59%
2. Blackberry 53%
3. Plum 50%
4. Blackcurrant 49%
5. Blueberry 47%

New Zealand

Top 5 - Appealing red flavour descriptors (prompted)

% who selected the following descriptors as appealing (4. appealing + 5. very appealing)

1. Berries 62%
2. Plum 56%
3. Blackberry 56%
4. Blackcurrant 53%
5. Raspberry 48%

Source: Wine Intelligence Flavour and Varietal Preference Reports 2017 (New Zealand, Australia and the US)

tertiary aromas of leather (that turn consumers off with only 17% finding it appealing). Marketing material and tasting notes should be crafted with this in mind.

Our flavour and varietal preference reports also break down our findings into consumer segmentations so we can identify the descriptors that really speak to your target market. Lastly, these reports raise questions about choice of varietals from a commercial aspect. Although there may always be a niche appeal to certain varietals, should growers be planting high acid or tannic varietals if they are looking for universal appeal and subsequent large volume sales. Margaret River may turn out some interesting Nebbiolo, but with consumers in the market for a ripe, soft and easy drinking red, perhaps Dolcetto would fair better on the market.

Wine businesses need to understand what varietals appeal to their target audience and subsequently grow, or purchase, the suitable varietals. Through these reports, we hope that wine marketers can have a little more control over the many cogs in motion in the marketing of wine. ■

Our Flavour and Varietal Preference reports are essential reading for those who want to understand how wine drinkers navigate tasting notes, shelf talkers and back label descriptors.

This series of reports is available for three key wine markets:

- Flavour and Varietal Preference in the New Zealand Wine Market 2017
- Flavour and Varietal Preference in the US Wine Market 2017
- Flavour and Varietal Preference in the Australian Wine Market 2017

Price: GBP 1,500
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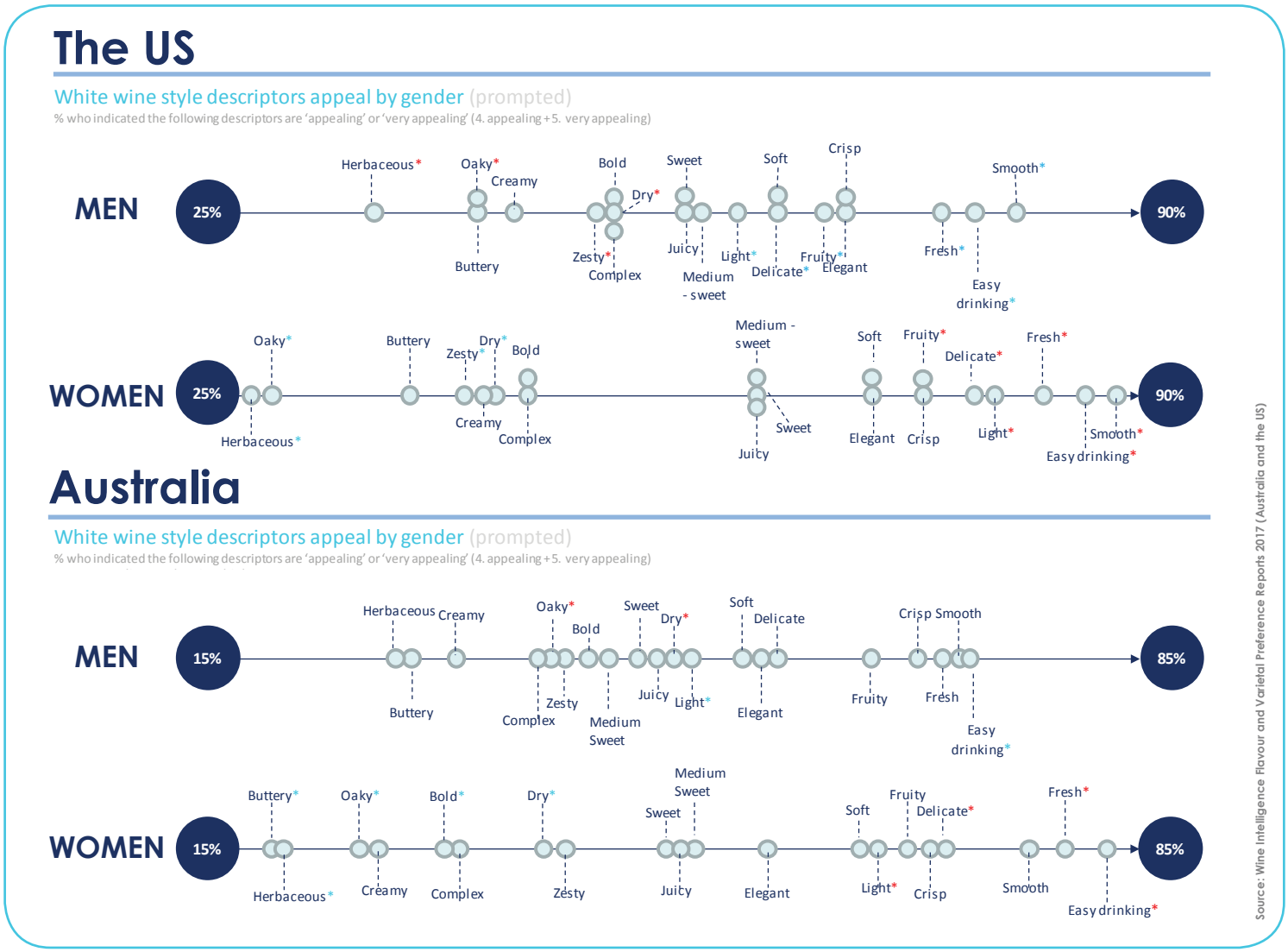

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Australia Direct-to-Consumer 2017 ..... *Sept.*

Australia Landscapes 2017 ..... *Now out*

Sparkling Wine in the Australian Market 2017 ..... *Sept.*

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Please note that the publishing schedule is advisory and subject to change.

BEHIND THE SCENES

Based in the US, Country Manager Erica Donoho coordinates Wine Intelligence's research and strategy projects in North America, operating from Delaware and New York.

What kind of projects to you get to work on in the US?

Most of the work we do here at the moment is from the outside looking in: helping businesses find a route to market in the US. The best advice I can offer is to pick your consumer segment carefully. The US is a huge market with wildly different consumers. A Democrat in Boston is not the same as a Democrat in Kentucky; how can we expect white wine drinkers to have the same attitudes? Pick your segment carefully and get to know them deeply and fully.

I was at my local country club and I saw a wine distributor coming around to sell his stuff, nosing the delicate bouquet, talking up the complexity and length of his wines. But all the girls want is Pinot Grigio. There's a big disconnect between what wine loving distributors want (good wines), retailers want (high margins) and what the consumer wants. Know your consumer. In the end, that's all we do here: put the focus back on the consumer.

Do you have any other advice for exporters looking at the US market?

Be genuine. Recommendation from a trusted source is the best way to drum up business. People these days are experimenting more and more, particularly millennials, so anything that is properly promoted – it as a story, a point of difference – will help. It's like your college application, you need a hook to pull them in. I'm not saying you have to reinvent the wheel, but you need something that will resonate with your chosen segment. People want to be sold to. Tell them a story, tell them they need it, be genuine, and they'll come.

And make sure you manage your expectations. You need to get a lot of things right to make it here. You need to identify the right segment and find the right importer who is behind the product, knows the story, and can sell it. You need the right regional distributor who will sell it to the right stores. And then the right store assistants who will recommend it to their regulars. If you get one thing out of place, you'll find it difficult.

The US is known for its complicated legislation. What's the day-to-day impact of state law?

There are still controlled states, like Pennsylvania, that have very strict regulation. They have a smaller selection and a much higher tax rate than neighbouring states like, say, Delaware. There is such a difference, that the police in Delaware patrol the parking lot of places like Total Wine to make sure cars with Pennsylvanian plates aren't illegally crossing the border with tax-free wine!

In these states, the "Chairman's selection" packs a big punch. It's similar to a staff pick. Unlike bin ends or bargain lots, its safe to say that the majority are chosen because the staff truly like them.

One consequence of all this legislation is that the direct-to-consumer channel is pretty narrow. In some states, you can't even bring in wine that's only made a couple of states away. Hopefully that'll change.

California is the success story of the US. Tell us a little about it.

California almost operates like a separate country. You find that it is merchandised separately and ordered by AVA, and then probably alphabetically. The problem is that Californian wines are just too expensive for every day drinking, so most people don't buy domestic. When you have a Californian Pinot Noir up against a New Zealand, California is always going to lose, purely on price. There are a couple of dangers on the horizon, like drought (even if things are better now than before) and climate change. Migrant workers might dry up too. Will that push up prices?

The climate change issue is an intriguing one, though. Some places up in NY state are planting Cabernet Franc in the hope that in a few years the climate will catch up and they'll have good wine. It'll be interesting what direction more marginal climate states go in over the next few years.

What do Americans know about European wine?

Americans vacation in America. Very few understand wine because they're not surrounded by it like you are here in the UK. We know, almost instinctively from our travels, that in Tuscany Italian wine is paired with high acid tomato sauces. You have a glass of Albarino with your seafood in Galicia, Port with your cheeseboard. In the US, people generally don't have a clue what goes with what or what comes from where. There are exceptions, of course. Customers in NYC who like going to the wine store on Friday night and knowing there's someone there who can talk to them, teach them a little.

Total Wines has a good reputation for having staff with good wine knowledge who can really help you out. They're educating customers more. But there is a fine line. Shoppers don't want to be intimidated or made to feel stupid, they don't want to be solicited. The best path is to give the consumer the option of help, if and when

they want it.

What's the biggest shift in the US wine market today?

The wine category is changing. The number of occasions for wine has increased for sure. It's not just about a glass of wine with dinner in a restaurant, now you can order a much larger selection of wines by the glass and just sit at a bar with it.
I think the US is converging closer with the UK in terms of informal drinking occasions. More men are drink rosé and sparkling wine at a bar alone, drinking without food. We'll see more hybrid-type places, wine stores with bars. In Whole Foods in Texas, some of the shopping carts have cupholders for wine while you shop, and in-store concessions where you can order food.

In the trade, we would love to think that wine consumers are all buying in specialist independent wine stores but that's just not the case. Huge volumes are moved through outfits like Costco so winegrowers shouldn't miss out on opportunities with these types of players. ■

US CONSUMER PORTRAITS

What you need to know: our US consumer segmentation at a glance

- **Experienced Explorers** are high spending consumers who are both confident in, and adventurous with, their wine choice
- **Millennial Treaters** are younger, high spending, wine loving consumers, with 'conservative' views of wine and growing in their knowledge
- **Premium Brand Suburbans** are frequent, brand savvy wine drinkers, who view wine as an enjoyable treat
- **Bargain Hunters** are older, careful wine-drinkers who are influenced by price
- **Senior Sippers** are older, less frequent wine drinkers with a limited interest in wine
- **Kitchen Casuals** are older and infrequent wine drinkers, who are typically disengaged with the category

MARKET SHARE

US regular wine drinkers Portraits as share of population, market volume and value

Share of volume and value are calculated based on self-reported wine consumption frequency and spend

Base= All US regular wine drinkers (n=3,831)
Source: Wine Intelligence, Vinitrac® US, October 2015 and January 2016