WINE INTELLIGENCE

SPARKLING WINE IN THE UK MARKET

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Contents page

Introduction

Source: IWSR 2019

Sparkling wine in the UK has had to deal with a number of challenges in the past year. With the remarkable renaissance in the gin category in full swing, there is an increasing body of evidence that gin-and-tonic is encroaching on the aperitif / relaxing drink occasion that sparkling wine has very successfully dominated over the past few years, especially among younger female drinkers. This has been demonstrated with the first year-on-year decrease in sparkling wine volumes, from 2017-2018 (down 1%). This suggests that sparkling wine may be reaching a plateau after large increases in recent years.

However, in the same timeframe the retail price of a bottle of sparkling is up 4%, conforming with more general trends of premiumisation across the wine sector. Consumers are continuing a trend of focusing on the quality of what they are drinking over the quantity available to them, especially among drinkers under the age of 35, and average spend is rising in the on- and off-trade for many sparkling wine types for all drinkers. Underlying this trend is a broader social and cultural movement to reduce alcohol consumption, and also to seek out local, “craft” products which may carry more sophisticated brand signals such as a commitment to the environment, or even just a more cultural or historic connection.

If one was to construct a Venn diagram of the three key trends in alcohol: “drink less but better”, “local”, and “craft”, the gin category would comfortably reside in the centre. Mainstream gin brands in the UK are becoming adept at emphasising their local and craft credentials, borrowing language where appropriate from craft beer. Paradoxically for a high-alcohol product, gin may also be winning in lower alcohol: we are seeing anecdotal evidence that a mixed gin drink involving a strong-tasting mixer (tonic) is allowing consumers to lower the alcohol content of the drink without compromising its taste profile.

Introduction

More positively for the sparkling wine category, English sparkling wine can also occupy the centre of the Venn diagram of moderation, local, and craft. The growth pattern of English sparkling shows no sign of ending; primarily driven by the young and well-off urbanites, the product seems to fit exactly with the *zeitgeist*. However, with the category still in its infancy, distribution and brand recognition remain real challenges. Our data suggests that consumers are more likely to look to reassuring purchase cues, such as whether the sparkling wine has won a medal or award, to guide their decision making. More heartening for English sparkling producers, consumers are recognising the English sparkling category more as a legitimate alternative to Champagne, at comparable prices, though Champagne remains the first choice celebration product for many regular English sparkling consumers.

The evidence from this report also suggests a repositioning of Champagne in UK consumers' minds. In keeping with the drink-less-but-better trend, Champagne's average price is climbing, assisted by a sharp decline in sub-£20 own-label Champagne volumes being sold in mainstream supermarkets. The same is true of Cava, which is starting to shed its previous image as a very low priced product – it is now consistently thought of as a £9-11 off-trade priced product. However, as yet, Prosecco has not succeeded in persuading consumers that it too can climb the price ladder. Compared with Cava, Prosecco is seen as having a better impression on others, more popular with peers and fashionable, and yet its price perception remains identical to that of Cava.

No discussion of the UK sparkling wine market can be complete without recognizing the highly uncertain and volatile political context of Brexit. At time of writing (August 2019), the likelihood of a disorderly exit is increasing rapidly. This outcome is almost certain to lead to a significant economic downturn in the UK, and is likely to lead to a short-run decline in discretionary spending, which will inevitably hit sparkling wine volumes (which are already under pressure) and may also reverse the positive trade-up trend of recent years.

Research Methodology

Vinitrac®

- The data for this study was collected in March 2017, May 2018 and May 2019
- Data was gathered via Wine Intelligence's Vinitrac® online survey of all alcohol drinkers and sparkling wine drinkers in the UK:
  - 1,000 drinkers of sparkling wine in **the UK who have ever drunk sparkling wine before in March 2017**
  - 1,000 drinkers of sparkling wine in the UK **who drink sparkling wine at least once a year in May 2018**
  - 1,010 drinkers of sparkling wine in the UK **who drink sparkling wine at least once a year in May 2019**
- Respondents meet the following requirements:
  - Adult drinking age
  - Permanent resident of the country
  - Are aware of at least one sparkling wine type*
  - Drink at least one type of sparkling wine at least once a year*
- For the purpose of tracking, a subset of sparkling wine drinkers who have drunk sparkling at least once a year (n=962) **in 2017 data** have been used
- Invalid respondents (those who sped through the survey or gave inconsistent answers to selected questions) were removed before analysis
- The survey was quota-based and post-weighted to be representative of UK alcohol drinkers and sparkling wine drinkers in terms of age and gender

		UK		
		2017	2018	2019
	sample size	*962*	*1000*	*1010*
Gender	Male	48%	44%	44%
	Female	52%	56%	56%
	Total	**100%**	**100%**	**100%**
Age	18-24	9%	13%	13%
	25-34	18%	18%	18%
	35-44	19%	16%	16%
	45-54	19%	17%	17%
	55-64	15%	15%	15%
	65 and over	20%	20%	20%
	Total	**100%**	**100%**	**100%**
Region	North	25%	22%	22%
	South East + East	25%	22%	22%
	London	18%	17%	16%
	Midlands	12%	15%	15%
	South West	8%	10%	10%
	Scotland	7%	9%	9%
	Wales	4%	4%	4%
	Northern Ireland	1%	3%	3%
	Total	**100%**	**100%**	**100%**

Wine Intelligence, Vinitrac® UK, March '17 n=962, May 2018 n=1,000 and May 2019 n=1,010 drinkers of sparkling wine in the UK who drink sparkling wine at least once a year

Research Methodology

IWSR

- Measures from the IWSR correspond to actual wine consumption figures. This means sales into the trade (on + off trade)
- The IWSR visits each market each year. Discussions are held with key local experts in the market including importers, producers, grey market operators, duty free operators, and supermarket/hypermarket buyers.
- All volume data is given in thousand 9 Litre Cases
- In the breakdown by country of origin, IWSR includes (depending on the market and the size of the category) the following two categories: 'Other' and 'International'
  They are defined as followed:
  - 'Other': category including wine blends (normally in bulk or bottled without specified country of origin) and wines from other countries with volumes too small to break out separately
  - 'International': Category including wine brands that have wines from various countries
- The IWSR includes the following types of wine in its definition of 'wine':

Definitions	
WINE =	
Still light wine +	Sub-categories
Sparkling (Champagne & other) +	
Fortified +	
Light aperitifs (vermouth…) +	
Other (rice wines...)	

Research Methodology

Qualitative trade research

Trade interview methodology

- Trade interviews were conducted with four experienced industry professionals in the UK wine trade in 2018
- Interviews followed a pre-determined discussion guide, and covered overall market trends, opportunities for different wine styles, retail channels and pricing
- The four interviewees were members of the wine trade working in different roles within the industry:
  - *x 2 Wine Importer*
  - *x 1 Restaurant Owner*
  - *x 1 Restaurant Operator*

Consumer interview methodology

- Consumer interviews were conducted in 2018
- Interviews lasted 1 hour 30mins, covering general wine drinking and buying behaviour and preferences, motivations and attitudes towards wine and purchase choice cues
- The interviewees were UK wine consumers:
  - *x 2 Social Newbie*

Research Methodology

How does Vinitrac® work?

1) Defining the right samples:

- Wine Intelligence, with the support of global research companies (e.g. TNS, YouGov), regularly runs calibration studies in each market in order to define demographic specifications of the wine consumers and the size of the market (i.e. penetration of wine consumption)

2) Running the online survey:

- Invitations to participate in an online survey programmed by Wine Intelligence are then distributed to residents in each market
- Respondents are directed to a URL address, which provides access to the online survey
- Based on given criteria (e.g. age, beverage, frequency of wine consumption) respondents will either proceed or screen out of the survey
- Wine Intelligence monitors completed responses to build samples representative of the target markets' wine drinking population based on the most recent calibration study

3) Cleaning the data:

- When a representative sample is logged, the survey is closed
- Wine Intelligence will then clean out all invalid data points (e.g. those who sped through the survey or gave inconsistent answers to selected questions) and weight the data in order to ensure representability

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