WINE INTELLIGENCE

GLOBAL TRENDS IN WINE 2020

First published January 2020

Updated March 25th 2020

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INTRODUCTION: Updated by Lulie Halstead March 25th 2020

We first published this annual update of our Global Trends in Wine report in January 2020.

Since then, of course, a major trend that we didn't anticipate – the global Coronavirus pandemic – has overtaken all others to dominate the economic, social and political agenda of the world in a completely unprecedented way.

This week, we have asked ourselves two questions: in this "new normal", how relevant are the trends we reported on at the start of the year? And how might the trends themselves evolve, given the current crisis and its aftermath?

Back in January – only 8 weeks ago, but already seeming like another era – we reported that the key themes in global trends in wine for 2020 revolved around 'The Four Rs': **Relationship**, **Retail**, **Repertoire** and **Responsibility**. In our new environment, we believe these mega trends are as valid as they were in the pre-coronavirus world. However, the way in which these trends present themselves in the current context, and the path of their evolution through the remainder of this year and beyond, has undoubtedly changed.

We are now issuing this updated Global Trends in Wine 2020 report as open-source. We strongly believe that good business strategy and execution needs to start with good understanding of the drivers and momentum shifts in our category that, in some cases, have been building over years. For wine businesses around the world that are, like us, writing new business plans as each extraordinary day passes, we hope this will provide some useful input.

In terms of how the new report works: we have updated our summary commentary for each trend with insights about how each of the trends is most likely to be impacted by the new normal in both the short and medium terms. The substance and examples remain the same as they were before.

Many thanks,

Lulie Halstead

Global Trends in Wine 2020

Relationship

- Rising involvement – reducing knowledge
- Increasing visual impact

Retail

- Maturing consumers
- Growing on-premise opportunity
- Premiumisation

Repertoire

- Switching out of wine
- Shifting wine choices
- Universal rosé

Responsibility

- Moderation
- Rising ethical engagement

Despite falling levels of wine knowledge, the proportion of wine consumers globally who have high involvement in the category has continued to rise through 2019.

We anticipate that as a result of the enforced shift in wine purchasing away from the on-premise, some to retail stores, but most to online, objective wine knowledge may in fact increase. Having to pre-populate search terms and having more time and opportunity to read online reviews and commentary will enrich knowledge levels. Overall, involvement may also rise because consumers will have time to explore.

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Why is wine knowledge decreasing, when wine involvement is increasing? Our evidence points to the phenomena known as 'cognitive off-loading', defined as our reliance on the external environment in order to reduce cognitive demand. This shift in how we retain and recall information is driven by the most powerful memory aid we could imagine – our smartphones. Gone are the days of needing to remember which brand or style we liked – merely look up the photo we have of the bottle we liked or Google it. Simple, and no energy expended on storing that knowledge in our busy and cluttered brains

Positively for wine, consumers are, at the same time, becoming more wine involved, meaning wine is playing an increasingly important role in their lives, even if they are reducing their 'technical' wine knowledge.

But there is a gender divide. Even though women have at least the same or even higher levels of wine knowledge as men, they are less involved in the category than their male counterparts

Countering expectations, Premium wine drinkers are not substantially more knowledgeable about wine than non-premium wine drinkers, but they are more confident with wine than other drinkers

Rising involvement – reducing knowledge

The impact and appeal of a wine's label design and packaging continued to be significantly more important to consumers in 2019 than it had been in previous years.

Choosing what wine to buy remains at the more complex end of consumer purchase interactions. It may be seen as either an enjoyable escape or a frustrating necessity if it comes at the end of an anxious shopping trip. Either way, the attractiveness and appropriateness of the bottle and label design will carry on growing in importance in 2020 and beyond.

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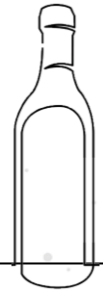

First impressions are always important, and this is definitely true when it comes to wine labels and packaging. In an increasingly visual world, we rely on appealing visuals that convey information quickly and clearly to inform our decision-making. The increased excellence in the quality of packaging design in other beverage categories has also driven the demand and expectation for higher quality design and packaging in wine

Across the range of wine markets measured, the appeal of the bottle and / or label design is increasingly important to wine drinkers when choosing a bottle of wine, primarily driven by males and middle-aged consumers

More astute brand owners will double down on investing in labelling and design that successfully treads the delicate line between distinctiveness and centrality in the wine category. Watch out for more creative bottle shapes, icons and colouring – all designed to stand out to time-poor and more visually oriented consumers, whilst retaining enough of the classical aesthetic to stay reassuring

Increasing visual impact

The wine drinking population globally continued to age during 2019, whilst younger drinkers remained individually more valuable to the wine category

Although the pandemic is impacting older generations more than younger people, the global trend of an ageing population is not anticipated to change at a macro level. Therefore, we predict that in parallel with populations ageing, the wine drinking population will continue to mature, with these drinkers remaining more 'wine experienced' and knowledgeable due to the number of years they have spent engaging with wine.

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"Active Ageing" is a phrase now used by the European Commission and World Health Organisation, referring to the growing proportion of social, active older people throughout the world. By 2060, over-65s are expected to account for 30% of the population[1], and as this proportion grows whilst maintaining increasingly active lifestyles, mature drinkers have great relevance to the world of wine

The proportion of mature wine drinkers continues to increase, in line with a globally ageing population, with more than 20% of regular wine drinkers in many established and mature wine markets now aged 65 and over

Wine drinkers aged 55+ are the largest cohort of wine drinkers by age, though under-index in terms of volume of wine consumed individually and total spend on wine compared with younger drinkers

These consumers are more experienced and knowledgeable about wine due to time spent in the category yet are often less wine confident than younger drinkers. They are also less likely to be influenced by taste descriptions, food matching, and most alternative packaging formats

Maturing consumers

Source: [1]ec.Europa.eu

The frequency of wine drinking in the on-premise, across all occasions, increased in many markets up to the end on 2019.

We have now witnessed an unprecedented, fundamental and sudden shutdown of the on-premise. In contrast many off-premise retail channels are currently reporting 'Christmas' levels of sales over the past few weeks, although these dramatic uplifts in retail sales are not anticipated to continue. The inevitability of a global economic recession suggests that this switch to at-home consumption of wine will be both a medium and potentially long-term trend. However, the fundamental need to have a strong and memorable experience in out-of-home settings will continue – just not as frequently and most likely with a more restricted budget.

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We are no longer dining out just to eat, but to capture a memorable experience – and in many cases ensure that it is recorded on social media. Celebrity chef and restaurant owner, Heston Blumenthal, has gone as far as discouraging photography of his food, as he argues that this distracts from actually enjoying eating and drinking experiences

Compared with 10 years ago, consumers are drinking wine more frequently in the on-premise, along with spending more, seen by the increase in average spend across all on-premise occasions in markets such as the UK, US, Australia and Japan

Consumers in the US and UK are trading up with their wine choices, particularly for a relaxing drink out at the end of the day

Reflecting the lifestyle of younger people, these drinkers consume wine more frequently in the on-premise compared with older drinkers, although the overall frequency of wine consumption has increased amongst most age groups in the UK and the US

Growing on-premise opportunity

Source: The Guardian

Wine consumers in many established and mature wine markets continue to drink less, but better. Up until the end of 2019, we saw a decline in the frequency of wine consumption, whilst the typical spend per bottle increased

We may have seen the end of the premiumisation trend for now. The shock to the world economy is unprecedented in its sharpness, though many forecasters believe it will be short-lived. Economies will recover, but consumer confidence may take longer to come back. Value for money will be paramount and this will be particularly true for the category of wine, where price-points are distributed across such a broad range, delivering quality options at lower prices.

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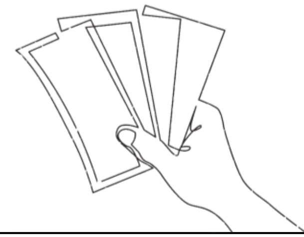

Premiumisation

There is an ongoing shift towards premiumisation in wine, with younger drinkers driving this trend. When it comes to gender however, women are significantly under-represented within the premium wine drinking population, typically spending less money on wine than men

The average frequency of wine consumption has fallen in major markets, reflecting a decreasing incidence of "heavier wine drinkers"

The share of premium, super premium and ultra premium wine is projected to grow to 2023, driven by China and the US, whilst lower-priced wine sales are projected to decrease

Younger consumers are also more likely to be "premium" wine drinkers. Additionally, the premium wine consumer population is skewed male in most established wine markets

Source: IWSR 2019

The population of consumers who are regular and frequent wine drinkers is shrinking, as consumers substitute wine for other alcoholic beverages or switch away from alcohol for some or all occasions

We anticipate that similar patterns of category switching, mirroring those seen during the pre-Coronavirus era, will continue and therefore, this trend will stay on a similar trajectory

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Drinkers used to be either a 'wine person' or a 'beer guy'. However, in keeping with broader societal shifts, drinkers are actually saying 'I'm a bit of everything'. We are now more likely to start the evening off with a glass of fizz, switch to a cocktail pre-dinner and then perhaps enjoy a glass of wine, rather than sticking to a single choice across the occasion

There is a smaller population of regular and frequent wine drinkers in key markets than there was in 2015, with around ¼ of regular wine drinkers drinking wine less than they used to in established markets

Younger consumers are most likely to be reducing their wine intake on some occasions, switching out of wine for both non-alcoholic and other alcoholic beverages

Whilst UK regular wine drinkers are switching from wine primarily to gin, US regular wine drinkers are equally likely to trade wine for beer and hard seltzer

However in developing and growth markets such as China and Mexico, a growing proportion of consumers are drinking more wine than before

Switching out of wine

Consumers have been changing their wine choices - drinking from a more diverse repertoire of varietals, whilst reducing their country repertoires, with this mainly driven by Millennials

We anticipate a renewed focus on domestic and local wine in wine producing countries, reflecting national populations becoming more inwardly-focused and protective. This will also reflect consumers' agendas to support their local businesses at a time of economic crisis. Potentially, there could be a consumer backlash against certain countries and regions, depending on how the pandemic is managed.

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There is a shift in terms of how consumers are engaging with their wine choices. On the one hand, drinkers are narrowing their wine origin portfolio, yet at the same time appear to be diversifying their varietal choices and wine packaging formats

Varietal repertoires continue to become more fragmented, with consumers gravitating towards more red niche varietals in particular

Even though more consumers state that country of origin is important when choosing wine, consumers believe that they are drinking wine from a smaller repertoire of countries

The decreasing repertoire of countries is primarily driven by younger consumers in mature markets whilst South Korea has experienced an increase in origin repertoire among Millennials

Younger consumers are the driving force behind smaller formats. Trade members believe the greatest prospect for the wine industry is through alternative packaging, with lighter weight glass bottles holding the highest opportunity

Shifting wine choices

Rosé has continued to grow, driven by a broad appeal across all consumer groups and supported by increasing premiumisation within this sub-category.

We anticipate that this trend will continue and potentially accelerate as the Northern hemisphere moves towards summer, delivering a bolstering in demand. Rosé also benefits from being associated with being a beverage which is ‘a little treat or reward’ so could yield additional rates of sales in the medium or longer term.

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It seems that everyone is drinking ‘pink’. Instagram is flooded with consumers relaxing with pink gin or a pale glass of rosé wine. The visual appeal and increase in the quality of rosé wine is enticing consumers of all ages and genders

The proportion of wine drinkers consuming rosé has significantly increased since 2007 across multiple markets, and many consumers are moving from lower price rosé to more premium rosé, with Provence leading the quality rosé market

In Australia and the UK for example, both men and women of all ages are driving the increase in rosé consumption, with Millennial drinkers being the primary drivers of the category

As is the case for both red and white wine, consumers are driven by food pairing when choosing which rosé to buy, led by South Korean, Brazilian, Singaporeans and US regular wine drinkers

Whilst France is the most popular wine-producing origin for rosé wine, consumers are also drawn to domestic options

Universal rosé

There has been a continued increase in moderation, driving switching from wine to low and no alcohol alternatives

Evidence indicates that abstinence does not typically occur during times of crisis and if anything, consumption of alcohol can increase. Very early indications suggest that consumers are 'moderating yet drinking more'. That is, on the one hand they are turning to low and no alcohol options as they realising how much easier it is to reach for an alcoholic drink when based at home permanently (when well) contrasted with confinement leading to increased alcohol consumption.

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The times they are a-changing. Across the world we are observing a more health-conscious and lifestyle-conscious consumer, with more choice than ever before in terms of both alcoholic and low-no alcohol beverages. The net result of this trend is a rising global population of consumers actively choosing to moderate their alcohol intake

A significantly increasing proportion of consumers consider alcohol content levels when choosing wine, which correlates with the global rise in consciousness of alcohol consumption

Compared with 2018, the proportion of those moderating their alcohol consumption has increased, with moderation trends primarily driven by Millennials

The majority of those who state they are reducing their alcohol consumption report doing so by switching to lower alcohol options rather than not drinking at all, with the proportion of these consumers in the UK and Netherlands significantly rising over the past year

Moderation

The opportunity for alternative and particularly sustainable wines is on the rise, driven by younger consumers and increased awareness.

During times of crisis, benefits which can be seen as desirable rather than fundamental are typically the first to be abandoned (think Maslow's hierarchy of needs). This may be the case for sustainable wines, particularly as they are often more expensive than their 'regular' counterparts. We know that after what may be a short-lived celebration, if and when the world rights itself, purse strings will tighten and may reduce the attraction of sustainable and alternative wines. Conversely, we can also expect a heightened focus on collective responsibility, leading to support for sustainable products.

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Ethical consumerism has gained traction in recent years, with consumers increasingly paying attention to the impact of their behaviours on both the environment and their health. Wine drinkers are starting to look for alternatives, to extend their ethical impact

Organic wine has the highest opportunity score amongst alternative wine styles at a global level, although there is a lot of inconsistency from a consumer point of view as to the nature and benefits of organic wine

Whilst the order (rank) of the appeal of alternative wine types has remained relatively stable since 2018, opportunity index scores have typically increased, driven by increasing awareness of these alternative wine types

For example, at least a third of regular wine drinkers in both Canada and the United States claim that they would be likely to purchase cannabis-infused wine

Younger wine drinkers are the key demographic that present the most opportunity to this category, due to their attitudes and willingness to invest time and money into their health

Rising ethical engagement

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Wine Intelligence London (Head Office)

109 Maltings Place
169 Tower Bridge Road
London
SE1 3LJ

Telephone: +44 (0)20 8194 0090
Email: info@wineintelligence.com
Website: www.wineintelligence.com
Follow us: