AUSSENWIRTSCHAFT AUSTRIA

British Wine Market

2018/2019

Off-trade Overview (2018/2019)

- **Total alcohol sales** in the off-trade **increased** over the last 12 months by **2% in volume and 4% in value**.

- The **still wine** category saw **small decreases in overall volumes but slight increases in overall value.**

- **Sparkling wine's volume continues to drop**, with a decrease of 3% over the last 12 months, with value dropping by 2% over the same period.

Off-trade Overview

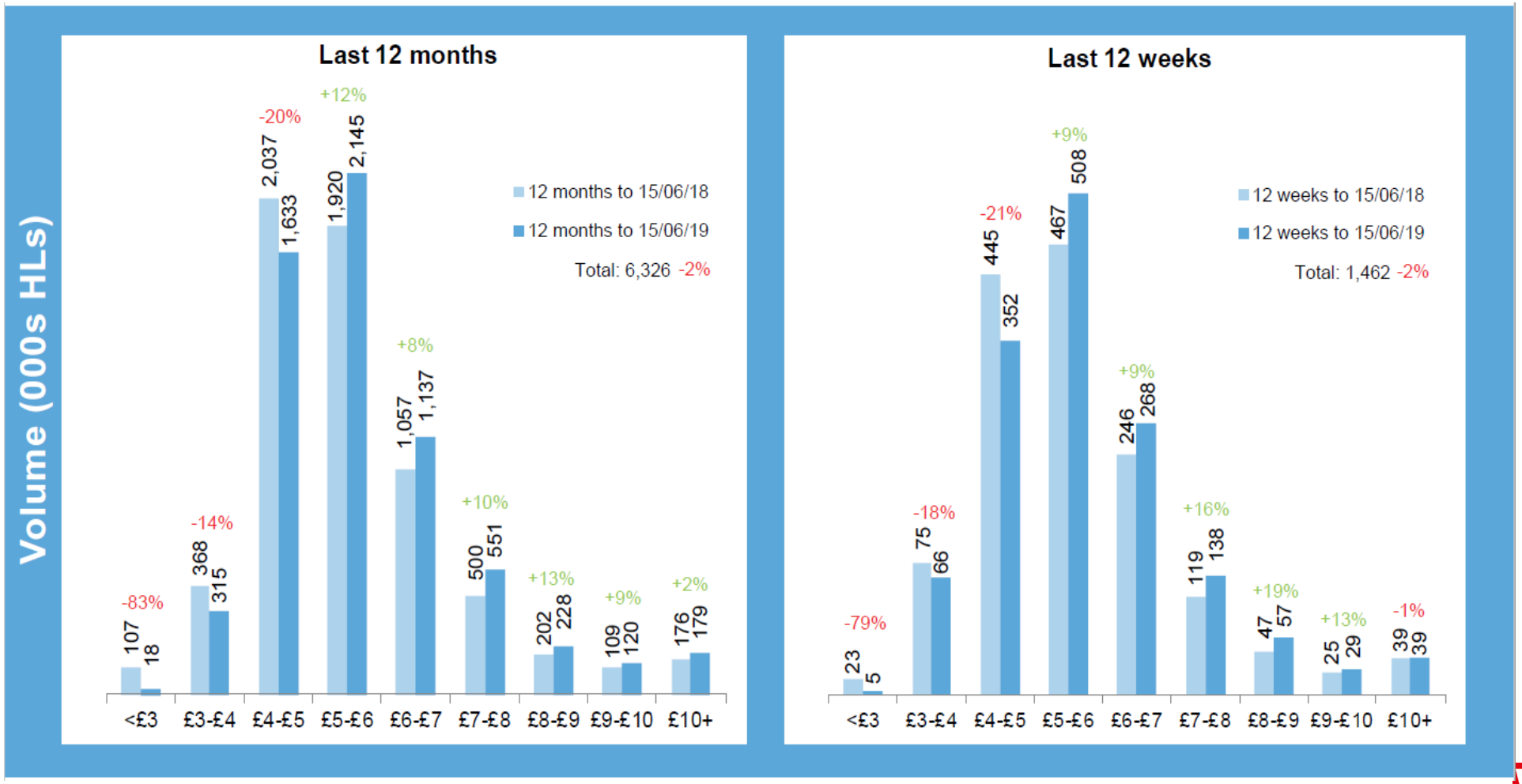
	Last 12 months (to 15/06/2019)						Last 12 weeks (to 15/06/2019)					
	000s hl	% change	£m	% change	price/L	% change	000s hl	% change Y-O-Y	£m	% change Y-O-Y	price/L	% change Y-O-Y
Beer	18,247	+4	4,317	+6	£2.37	+2	4,344	-2	1,023	-1	£2.36	+1
Still wine	7,048	-2	5,525	+1	£7.84	+3	1,627	-1	1,282	+2	£7.88	+3
Cider/perry	4,919	0	1,094	+2	£2.22	+2	1,123	-12	254	-11	£2.27	+1
Spirits	2,234	+3	4,604	+6	£20.61	+3	485	+2	1,001	+4	£20.62	+2
Sparkling wine	881	-3	850	-2	£9.65	+2	189	-2	181	-2	£9.58	-1
RTDs	595	+16	305	+19	£5.12	+3	146	+7	76	+11	£5.17	+4
Fortified wine	261	-3	256	0	£9.81	+3	51	-1	49	+4	£9.62	+5
Champagne	92	-7	288	-2	£31.20	+4	17	+3	55	+5	£31.84	+2
Total Alcohol	**34,588**	**+2**	**17,400**	**+4**			**8,039**	**-3**	3,950	**+1**		

Wine price points (75cl bottles)

- **Growth by volume of wines priced above £5 continues**
  - largest gains enjoyed by those priced between £5 and £6 and those priced £8 to £9 over the last 12 months.

- **Value sales show a similar trend** to wine volumes
  - growth is enjoyed by wines priced higher than £5, with sales over the last 12 months increasing in every category above £5
  - Wines priced between £7 and £9 enjoyed double-digit value growth over this period.

Wine price points (75cl bottles)



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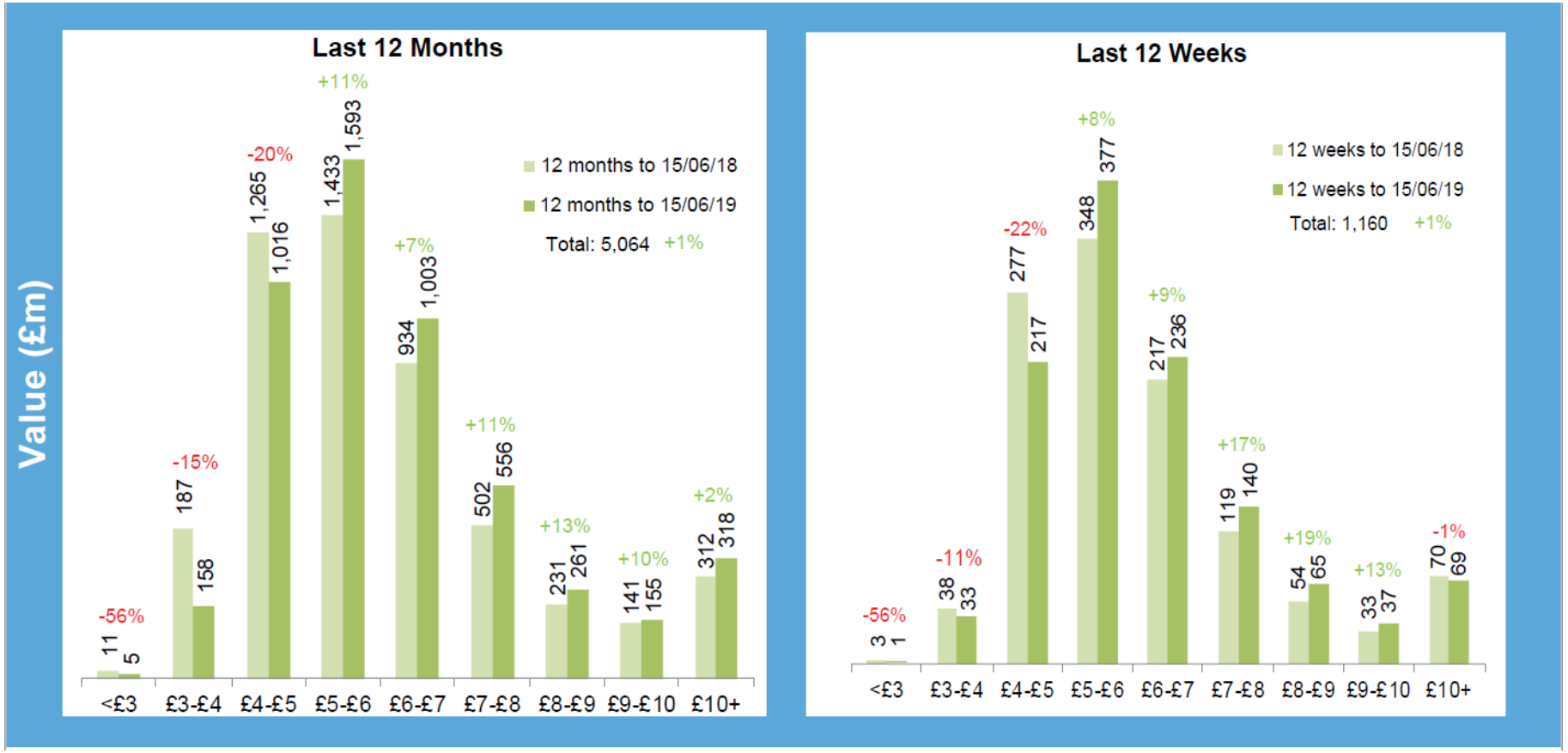

Still wine (country of origin)

- **Spain, South Africa and Germany suffered double-digit % losses** by volume over the last 12 months.

- **Volume losses also for Italy (-8%) and France (-5%)**

- **BUT**: significant **increases in prices /l**

- **Argentinian wine continues to grow by both volume and value**
  - plus 5.5 million bottles in the last 12 months.
  - value of Argentinian wine is now in excess of £200 million

Still wine (country of origin)

Last 12 months (to 15/06/2019)

	Country of origin	000s hl	% change (YOY)	£m	% change (YOY)	price/L	% change (YOY)
1	Australia	1,595	0	1,189	+2	£5.59	+2
2	Italy	937	-8	693	-2	£5.55	+6
3	USA	740	-2	577	-1	£5.85	+2
4	Chile	688	+2	511	+4	£5.57	+2
5	France	670	-5	672	-1	£7.52	+4
6	Spain	623	-10	475	-2	£5.72	+8
7	South Africa	609	-13	425	-10	£5.23	+4
8	New Zealand	524	+6	504	+6	£7.22	0
9	Argentina	245	+17	210	+19	£6.43	+1
10	Germany	88	-12	58	-10	£4.96	+2

Wine (colour and varietal)

- **rosé category** experienced small losses by value
- **red wine** sales contracted in terms of volume by 4%
- **white wine** lost volume, although was the only wine colour to see value growth
- **growth of Malbec continues**, with 20% volume and 21% value growth
  - Malbec in the off-trade now equates to around 40 million bottles.
- **Chardonnay continues to outsell Pinot Grigio**, having surpassed Pinot Grigio in terms of volume 6 months ago
- modest volume and value gains for the most popular white grape, **Sauvignon Blanc**

Wine (colour and varietal)

Last 12 months (to 15/06/2019)	Volume (000s Hl)		Value (£m)		Price/l	
41% red	2,890	-4%	2,344	0%	£6.08	+4%
10% rosé	727	-4%	539	0%	£5.56	+5%
49% white	3,430	-1%	2,641	+2%	£5.78	+3%

Wine (colour and varietal)

Last 12 months (to 15/06/2019)

	000s hl	% change	£m	% change	price/L	% change
Merlot	442	-5	327	-3	£5.54	+3
Shiraz	441	-6	330	-3	£5.61	+2
Malbec	301	+20	251	+21	£6.26	+1
Cabernet Sauvignon	240	-3	192	0	£6.00	+3

Wine (colour and varietal)

Last 12 months (to 15/06/2019)

	000s hl	% change	£m	% change	price/L	% change
Sauvignon Blanc	963	+1	812	+3	£6.32	+2
Pinot Grigio	578	-2	423	+1	£5.48	+3
Chardonnay	570	-2	423	+1	£5.57	+2

On-trade Overview (2018/2019)

- **still wine's volumes continue to decline** - the category lost 6% of value, too.
- **sparkling wine grew in volume by 12%** over the last 12 months, the equivalent of an extra 3 million bottles sold
- **Champagne continues to decline**, but the rate of decline is starting to slow.
- **spirits category continues to grow**, thanks once again to **huge growth in the gin category.**

On-trade Overview

Last 12 months (to 15/06/2019)						
	000s hl	% change	£m	% change	price/L	% change
Beer	19,265	0	12,762	+3	£6.62	+4
Cider	3,041	+2	2,036	+4	£6.69	+2
Still wine	1,309	-9	3,090	-6	£23.60	+2
Spirits	584	+4	7,012	+7	£120.00	+4
Sparkling wine	196	+12	724	+20	£36.99	+7
Packaged RTDs	188	-17	194	-17	£10.35	-17
Champagne	36	-4	329	-2	£91.04	+2
Fortified wine	10	-14	60	-9	£62.00	-1
Total Alcohol	24,629		26,207			

Wine (country of origin - including both still and sparkling)

- **Italian wine continues to grow** in volume
  - the only country in the top 10 to register volume growth
  - in total, in the last 12 months, Italian wine sold in the UK on-trade equated to 71 million bottles.
- **Wines from New Zealand saw value growth along with Argentinian and Italian wines**
- **German wine struggled** most by both volume and value.

Wine (country of origin - including both still and sparkling)

Last 12 months (to 15/06/2019)

	Country of origin	000s hl	% change (YOY)	£m	% change (YOY)	price/L	% change (YOY)
1	Italy	536	+1	1,469	+8	£27.40	+8
2	France	324	-13	1,070	-8	£33.00	+5
3	Australia	141	-10	295	-7	£20.93	+3
4	USA	130	-10	246	-7	£18.89	+3
5	Chile	98	-10	224	-4	£22.91	+6
6	Spain	84	-13	246	-10	£29.31	+4
7	South Africa	75	-13	179	-6	£23.85	+1
8	New Zealand	62	0	191	+4	£30.99	+4
9	Argentina	38	-6	92	+1	£24.35	+8
10	Germany	8	-24	14	-19	£17.50	+7

Pessimists have plenty of ammunition at the moment…

- The **long-term decline in wine volumes continues**
- partly fuelled by **consumers actively moderating their alcohol consumption**
- partly by the **resurgent gin category successfully re-colonising the non-food relaxing informal occasion**.
- both the moderation and gin-substitution trends are **particularly apparent amongst younger consumers**, and particularly younger women, which would suggest the volume decline is not going to stop anytime **soon.**

There are some bright spots within the gloom…

- **Value per bottle continues to rise**
- **wine consumers** under 45 in particular are **redefining the wine category** as a more aspirational, culturally desirable **and therefore more expensive** drink.
- wine drinking population has also held up, now drinking a bit less often, and a bit less volume per occasion, so there are **still plenty of customers for a product that delivers on the needs of today's consumers.**
- **BUT: needs are changing…….**

Changing needs.....

- **provenance still matters, and so does the story !!!!!!**
- successful product must **also** deliver a **visual recognition and positive reassurance** (especially in the £7 +++ category where sales grow)
- growing expectation that a brand must deliver **some kind of sustainability or ethical credential** as well as a decent-tasting product.
- **wine drinkers** as a whole are **becoming more involved in the category** (quite possibly because those that have left the category were less involved), and care more about wine as a **part of their cultural lifestyle**
- next 10 years may be defined by a more kinder, thoughtful and ethically aligned consumer, **who seeks quality and is willing to pay for it**

Some trends in the On-trade sector …

- **More of the Same –** drinkability continues to sells (light, fresh, bright and easy to drink) - with fine dining now more about the quality and purity of the ingredients wine listings will continue to be dominated by lighter, fresh wine styles and the emergence of more grape varieties, that deliver crisp, bright, wines full of fruits and acidity.
- **The Rise of Mediterranean –** omnipresence of grape varieties that are either directly from or started their life in the Mediterranean, noticeably Italy, Spain and Greece
- **Minimum Intervention -** interest in and acceptance of so-called minimum intervention winemaking will also see the further rise and distribution of natural wines which, in turn, will find new audiences as producers tone down the fun factor.
- **Even More Sustainable -** wines that claim to be good for the environment are going to be increasingly sought out on restaurant and bar wine lists. Be they organic, biodynamic or can make some sustainable claim, being seen to be green is going to be in fashion

Inside the UK Wine Retail Scene…

- **Strong independents -** an estimated 800 plus quality independent wine merchants in the UK (focus on innovation / experience)
- **Hybrid stores -** hybrid wine merchants that are part store, part wine bar, part restaurant (pioneered over 10 years ago / recent boom /automatic tasting machines)
- **Growth inconvenience -** wine offer available in local convenience stores who are increasingly working with major wine brands to offer them a strong route to market. (trial new products and packaging innovations).
- **Discounter power –** very successful German discounters see wine as a hero category to attract more premium spending shoppers to their stores (expanding range / expert advice)
- **Changing supermarkets -** still the majority of wine sales / price is still the decisive factor /major retailers experimenting with smaller formats.
- **The multiple specialists -** larger wine specialists chains (Majestic/ Oddbins) picking up the mantle of the independents to offer bigger, better ranges of wine.
- **Going online -** most specialist operators running a multi-channel approach / wine has become a trusted and popular category for online retailing.

Selling Austrian… (in the world‘s 2nd largest wine market)

What not to do…

- current **market conditions** in the UK are **challenging**
- **UK** (which produces only minimal quantities of wine itself) is the **world's second largest importer in volume and value**
- UK is the **obvious "target market" for virtually all producers** from all the wine sourcing regions.
- **market** is **highly saturated**, **margins** are **low** and **importers „very careful"** when sourcing new products for their portfolio.

it scarcely makes sense, to approach importers by email or offer them wine samples.

Put it in the glass…

- **Annual Austrian Tasting, London / 3 February 2020**
  - well estabished and highly regarded industry event since 1993
  - prestigious locations and professional invitation management
  - aprox. 400-500 visitors from importer community, trade, hospitality, and media

- **London Wine Fair, London / 18-20 May 2020**
  - trade exhibition promoting the wine industry with 13,260 visitors attending 2019
  - tastings, workshops, masterclasses and industry briefings
  - featuring over 14000 wines from 32 countries,

- **International Wine Challenge 2020**
  - the world's most rigorous, impartial and influential wine competition (36th year)
  - the IWC assesses every wine 'blind' and judges each for its faithfulness to style, region and vintage
  - each medal-winning wine is tasted by a minimum of 12 different judges including Masters of Wine.
  - awards include medals (Gold, Silver, Bronze) and Commended awards.

and finally… (our amateur opinion)

- **focus on independent retailers not on supermarket sales**
- **focus on native grape varieties** which give a true taste of Austrian wine diversity
- **consistently create new messages for trade and consumers**
- **celebrate „assets that we can truly own“** which will
  - bring new curious consumers into the Austrian category and
  - provide existing ones with new wine styles to try, and talk about.