Consumer Countries/Markets

Wine sales outperforming rest of market in UK on-trade

2019-03-04
Wine sales in the UK’s premium on-trade are outstripping the overall sector despite a difficult trading environment, according to a new report by London-based Liberty Wines.

Premium on-trade sales have grown or held firm in the past five years, contrasting with sales outside the premium sector which have been in steady decline. At the same time the average spend per bottle increased by 9% per year between 2015 and 2018 in the premium on-trade, significantly above inflation.

The 2019 Liberty Wines Premium On-Trade Wine Report, in partnership with CGA, reveals that quality wine and consumer experience increase wine’s share of alcohol purchases by 11 percentage points in the premium on-trade.

And premium wine drinkers buy wine in the on-trade significantly more often than non-premium drinkers, and also have a very different attitude towards choosing wine, with price being significantly less important, whereas grape, country and region are almost as important.

As for the best selling varietals in the premium on-trade, amongst white wines Italy and New Zealand outperform the rest of the world by some stretch, according to Liberty. The average spend per bottle is also up across all the major red grapes, and across all countries in premium outlets, contrasting sharply with outside the premium sector where the average spend per bottle of almost all varieties fell.

Prosecco was one varietal which fared particularly well, with Liberty reporting sales of almost double the previous year, exceeding 2.2m bottles for the first time and boosting the growth of the overall sparkling market by 17%, with average bottle spend also up by 5%.

Londoners remain the most adventurous drinkers in the country said the report, and the range of successful grape varieties has expanded more in the capital than elsewhere. This is alongside increased spending across the country on the nation’s top three varieties, Chardonnay, Sauvignon Blanc and Pinot Grigio.

“It is clear that consumers are still responding positively to help from informed staff, are looking for more, not less information on the wines and regions, and are actively seeking encouragement to try
different wines,” said David Gleave MW, managing director of Liberty Wines. “They are calling for good
glassware and well-designed wine lists to help make their choices easier. These characteristics of the
premium on-trade set this sector apart from the rest of the industry. They are relatively
straightforward for on-trade operators to put into practice and, when combined with a good range of
well-chosen wines, will lead to happier consumers who we believe will reward outlets that respond to
their needs.”
Source: Market IQ Vinex

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**Economic Environment**

**UK wine importers have little confidence in their own Brexit contingency plans**

2019-03-05

Nearly three quarters of the UK's key wine importers believe that a no-deal Brexit will cause "major
disruption" to their company, according to a survey by the country's biggest wine and spirits trade
body the WSTA.

Asked how big a disruption a no-deal Brexit would have on their business, only 11% thought that it
would cause minimal disruption, with the vast majority believing that it will cause major upheaval.

Despite this, few seemed to have much confidence in their own contingency plans to deal with a no-
deal Brexit, with only 16% saying they had nearly "complete confidence" in their plans. Asked to rate
on a scale of 1 – 10 their confidence levels, 54% responded with a 5 or less, while 16% scored 6, 16% a 7, and 27% gave an 8 or a 9 as their answer.

And the respondents seemed to have as little confidence in the UK government of securing a deal by
29th March as in their own planning, with only 10% scoring 6 or 7, believing the government would
walk off with a deal. The majority - 59% - of respondents reported themselves as having no, or little,
confidence that the government could thrash out a deal with the EU in the timeframe.

Asked whether they have increased their stock levels as a contingency, nearly a third – 31% said they
had stockpiled by 10%, a further 31% said they had an additional 20% of stock stashed away, while
19% said they had 30% more stock than usual. Only 6% said they had anywhere near 60% of
additional stock.

Direct Wines are bringing in an additional two million bottles, an increase of around 40%, while
Bibendum PLB said that it will be ordering "significant" amounts of additional wine. Majestic said it will
stockpile an extra 1.5 million bottles of European wine as part of its contingency planning.

The survey was carried out at the WSTA’s recent roundtable event held in partnership with the London
Wine Fair.
Source: Market IQ Vinex

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**Global Trends - Wine Industry Key Elements**

**UK Code of Practice on the Naming, Packaging and Promotion of Alcoholic Drinks**
The sixth edition of the Code of Practice on the Naming, Packaging and Promotion of Alcoholic Drinks comes following a wide consultation to ensure the rules remain up to date and relevant. It will come into effect in September 2019. One of the key changes is the inclusion of a rule to prevent offensive marketing, which stresses producers must take care when referencing race, religion, gender, sexual orientation, disability and age on packaging or promotional materials. Further changes are also outlined, such as ensuring a product does not suggest any association with illegal behaviour and forbidding “association with bravado or violent, aggressive, dangerous or anti-social behaviour”.

The new code also references that products should not claim to have mind-altering qualities or suggest that it will change mood or behaviour, which includes any suggestions that a product has therapeutic qualities or can enhance mental or physical capabilities.

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**UK: Smartphones dominate as online retail sales hits new high**

In the fast evolving online retail market, sales via smartphone have overtaken both desktop and tablet, and at a time when online grocery retail has reached a new high of £8 billion in the UK. The latest total till figures from Nielsen show that in-store growth in the grocery sector slowed to +2.5% in February, with consumers spending less per visit, but that the online grocery market continued to grow, up +8% in 2018. Ease of shopping was cited as the key motivator for shoppers to turn to online purchasing, with implications for drink retailers that are behind the curve when it comes to their online presence.

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**Major Wine Producing Countries**

**Brazil’s wine sector eyes Chinese market for future development**

Brazilian wine producers have set their sights on gaining a larger share of China's consumer market. To that end, the wine sector and government of the South American country have joined forces to develop a strategy that will help expand the distribution of their products, especially sparkling wines and grape juice.

One of the main goals of the producers and the state-run export promotion agency APEX is to boost their products' presence on Hema, a network of online and brick-and-mortar supermarkets operated by China’s e-commerce giant Alibaba.

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**Italy looking to "make up for lost time" in growing China wine market**

Italy and France are the world's two biggest winemaking nations, each responsible for around a fifth of global commercial production by volume. But in China, Italian wine remains a comparative afterthought. Italy was the world's largest wine producer in 2017 (the latest full-year figures available), producing 49 million of the world's 251 million hectoliters of wine, according to the International Organization of Vine and Wine. France was second, with 47 million hectoliters.

Italian wine exports to China grew by about a third over a two-year span ending last year, according to estimates from Wine Intelligence, a London-based industry data firm. But according to Wine News, an Italian industry website, Italy has since given some of those gains back. France remains a strong
leader in the fast-growing imported sector.

One major initiative aimed at increasing visibility of Italian wines in China is a soon-to-be-published dictionary of Italian wine in Chinese, the first book of its kind.

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**Nuusbrokkies / News Snippets**

**India: Punjab Agricultural University (PAU) to set up winery to train entrepreneurs**

PAU will use sizeable amount of grapes to produce 1 000 litres of wine in one batch and depending upon the availability, they can complete 20 batches annually. Again, the technology is not for the commercial manufacturing, but to train entrepreneurs and uplift the economic status of the Punjab grape farmers.

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