

United Kingdom

The UK is one of the world's most important markets for wine. Representing approximately 11% of the total European wine market by value²³, coming 4th in rank behind Italy (22% share), France (19%) and Germany (13%). The UK market is critical not only due to its size but also for a number of equally important reasons:

- The UK is a major wine consumer, the second largest consumer of imported wine and the fifth largest SLW consumer in the world²⁴, yet still has near-zero wine production of its own. This unique combination constitutes UK as a highly competitive market for imported wine, where the relative values of each country's wine offering can be compared and contrasted with minimum bias
- The UK is the second most significant country-market in the world in terms of trend-setting and influencing with regards to wine, featuring 14 out of the top 50 global public rhetoric and knowledge sources for wine (identified in Wine Sector - Global Public Rhetoric & Knowledge Sources study).²⁵

The UK wine market is definitely a mature market; yet, lately wine drinking has expanded even more in popularity due to a number of reasons, analysed later on in the study. As a result, more consumers are attracted to wine while there has been an increase in per capita wine consumption as well.

However, the limited growth potential in terms of volume dictates that opportunity for further expansion would rely on the value of the market. Given the existing discounting phenomenon (mostly due to consumers' relative ignorance on what constitutes quality wine) and the current economic downturn, this would be a challenging domain for wine marketers. However, the growing consumers' interest in quality and ethical / «green» products could provide grounds for differentiation and business profitability.

All aspects of the UK market have been analysed and are presented in the sections that follow.

²³ Datamonitor, Wine in the United Kingdom industry profile, November 2007

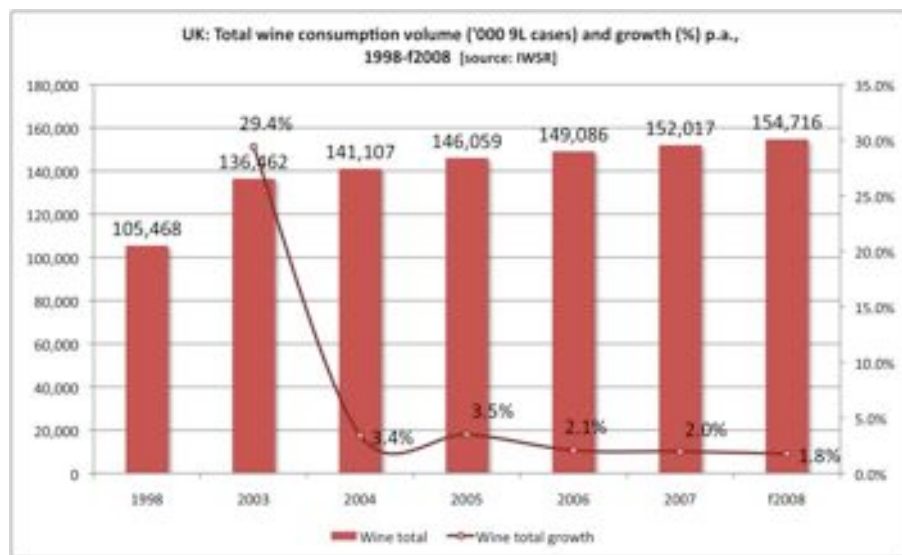
²⁴ IWSR Global wine Handbook 2007

²⁵ Part of Deliverable 1.1, submitted within the framework of the project

Market profile

Market size

The UK total wine market²⁶ reached a total size in terms of volume of 152,017 '0009L cases in 2007. This is predicted to rise a further 1.8% in 2008, up to 154,716 '0009L cases²⁷, as shown in the following graph:



Source: Based on data provided by IWSR, UK Index, June 2008

There has been a steady growth in the past decade in consumption volume. In terms of growth, 1998-2003 was a steep incline at 29.4%. From 2003 onwards, annual growth rates have been slowing down, thus marking a large volume-driven market that is reaching maturity.

In terms of market value, the UK reached €12.1bn (£10.6bn) in 2006²⁸, going up 3.1% on the previous year and steady on its compound annual growth rate of 3.1% from 2002-06. This indicates that, as the market reaches its maturity and wine consumption value rises faster than volume, the UK market becomes increasingly suitable for more up-market, expensive wines.

In face of today's severe economic crisis, it is hard to forecast how markets will fluctuate. As up to mid-2008, the UK wine market was proving strong in keeping its performance stable; this held especially true with regards to premium, more expensive wines and vintages with prices going up by up to 20%²⁹, confirming

²⁶ The wine market includes consumption across the (i) Still Light Wines, (ii) Sparkling Wine (iii) Fortified wine, (iv) Light Aperitifs and (v) Other wine categories

²⁷ IWSR, Wine retailing UK, June 2007

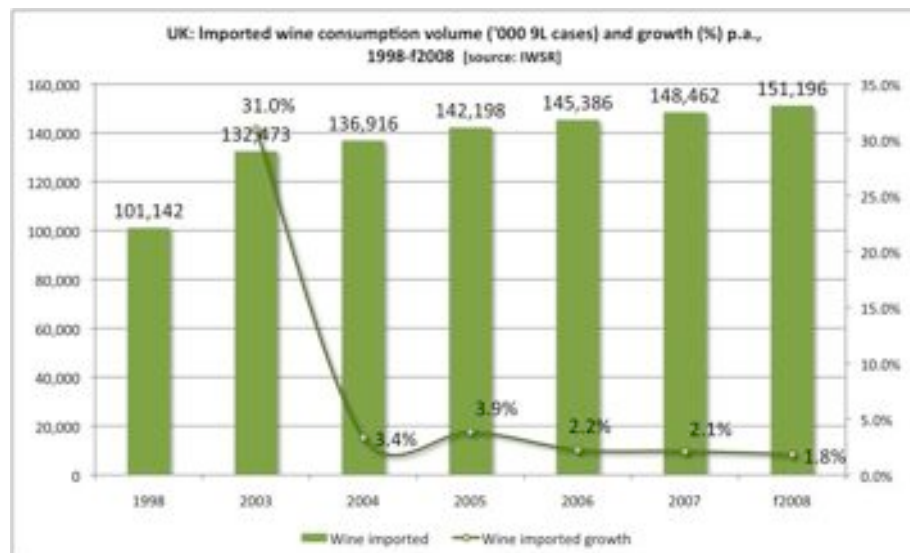
²⁸ Datamonitor, Wine in the United Kingdom industry profile, November 2007

²⁹ <http://www.decanter.com/news/268426.html>

previous conclusions. Future forecasts issued at that time or earlier indicated a CAGR of 2.9% for the period 2006-2011, with the UK reaching a market value of €13.9bn (£12.2bn)³⁰. More recent research suggests that the effects of the crisis are now felt stronger: over Christmas, fine wine appeared to experience a drop in prices, notably with Bordeaux wines seeing a 40% drop³¹; In addition, a third of consumers is believed to be buying cheaper or buying less wines as a result of the decrease in discretionary income and concerns have been raised that the crisis may be forcing lower-end wine consumers entirely out of wine buying³².

Imported wine

For the UK market, imported wine consumption³³ volume is largely synonymous with the total wine consumption volume, since it represents a share of 97.2%:



Source: Based on data provided by IWSR, UK Index, June 2008

Imported consumption volume growth trends follow an identical path to that of total wine consumption.

³⁰ Datamonitor, Wine in the United Kingdom industry profile, November 2007

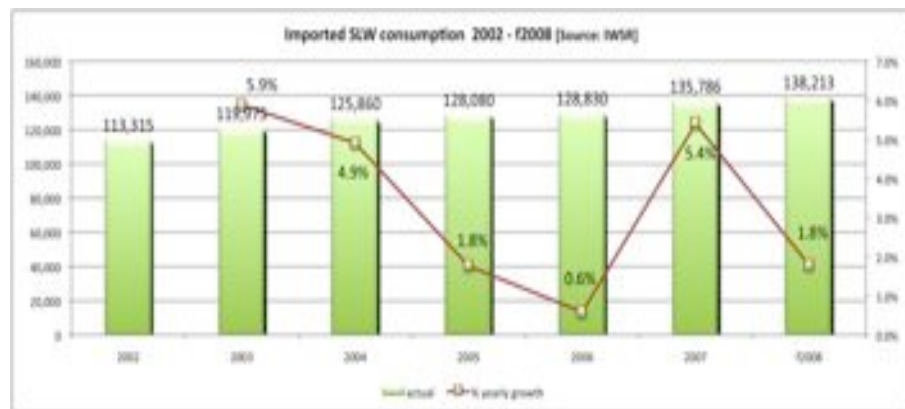
³¹ <http://www.just-drinks.com/article.aspx?id=95791&d=1>

³² <http://www.talkingretail.com/news/industry-news/12324-recession-is-forcing-more-consumers-out-of-the-wine-market.html>

³³ Imported wine consumption across all wine categories, as defined in the Market Size section earlier

Still Light Wine

Still Light Wines represent 89.5% of all wine consumption and 91.5% of imported wine consumption in the UK (2007). Consumption volume and growth follow similar trends to the total wine category, although annual growth shows greater fluctuations ranging from 5.9% to 0.6% as shown in the following graph:



Source: Based on data provided by IWSR, UK Index, June 2008

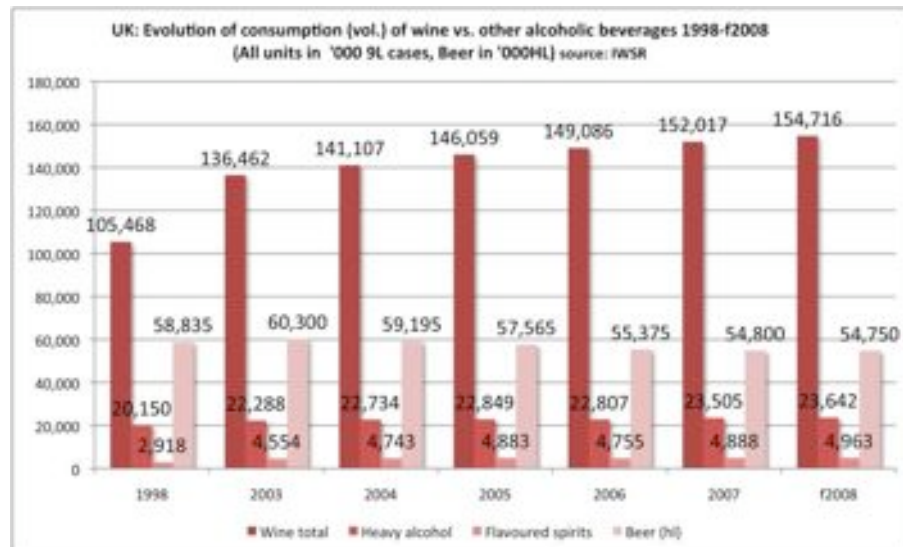
In terms of value, the SLW category has seen continuous increases from 2002 to 2005 and is forecasted further growth for 2006 and 2007:

Year	Total still wine sales (£m)
2002	8,027
2003	8,386
2004	8,631
2005	8,894
2006	9,348
2007	9,633

Source: Mintel, Wine Retailing, UK, June 2007

Wine consumption evolution vs. Consumption of other alcoholic beverages

The following chart shows evolution of consumption volume for key alcoholic beverages in the UK³⁴:



Source: Based on data provided by IWSR, UK Index, June 2008

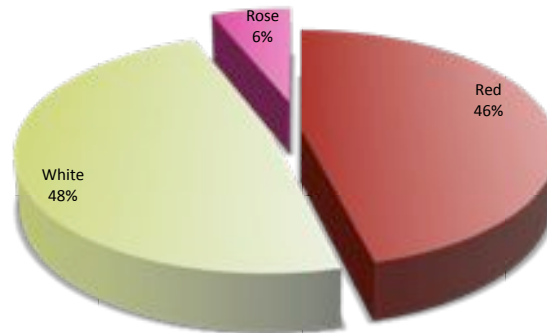
Beer is the only alcoholic category in decline, predicted a 7% drop in 2008 from 1998 levels. This can be explained by the effect of the smoking ban in the on-trade and the advent of the modern wine culture that sees wine as a drink to be enjoyed at most occasions (and generally more associated with attractive user/experience imagery and less related to binge drinking). To this effect, wine is forecasted to achieve near 50% higher volumes in 2008 than a decade before. Heavy alcohol and flavoured spirits are also on an upwards trend, although trading significantly smaller volumes.

³⁴ Wine includes all wine (domestic and imported); Heavy alcohol includes whisky, white spirits, rum and brandy; Flavoured spirits include liqueurs, bitters, spirit aperitifs, aniseed and fruit aux de vie.

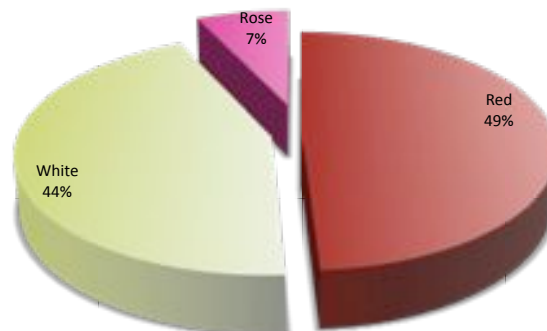
Red vs. White consumption

Red and rosé wine consumption has slightly increased in relation to white:

UK: Consumption of imported SLW by type (2002) [source: IWSR]



UK: Consumption of imported SLW by type (2006) [source: IWSR]

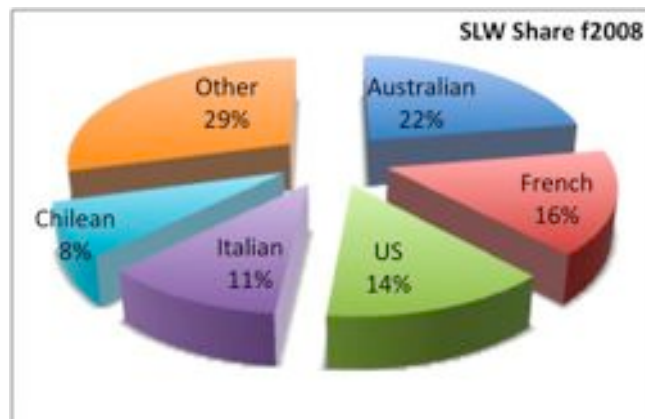


Source: Based on data provided by IWSR, *Global Wine Handbook 2007*

Consumption per country of origin

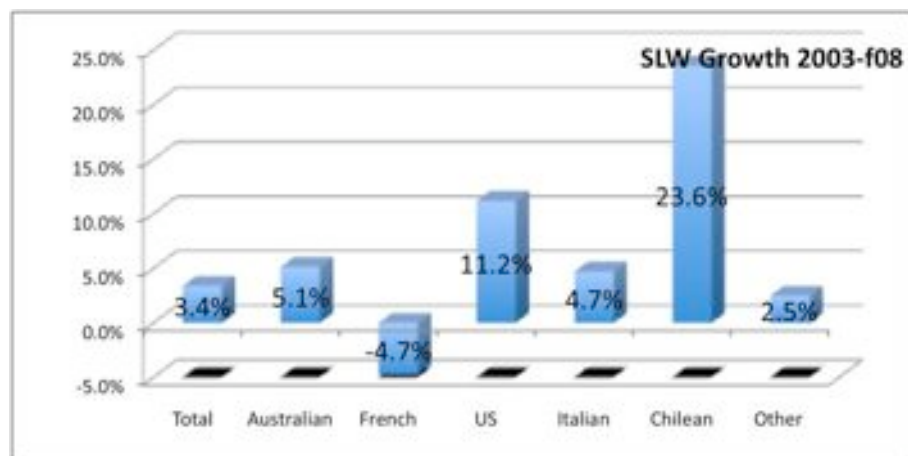
Market role analysis³⁵

Australian wine is today's undisputable market leader, with French and US wine left lagging at a Follower role.



Source: Based on data provided by IWSR, UK Index, June 2008

World leader Italy and New World's Chile are niche players, it must be noted however that Chile and the US are showing very high growth rates and may take more significant roles in the future:



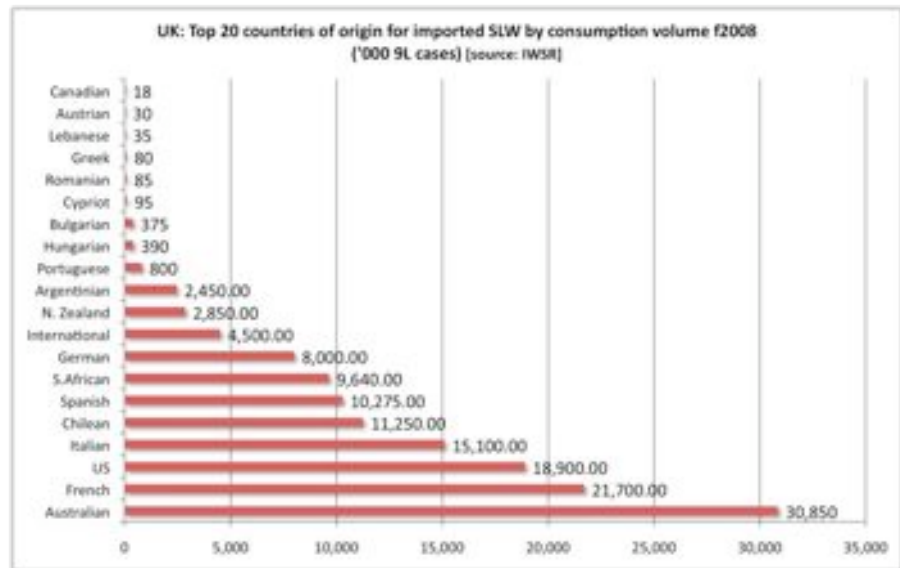
Source: Based on data provided by IWSR, UK Index, June 2008

It must also be noted that the UK is Australia's and Chile's biggest export market.

³⁵ - 2002-2006 data taken from IWSR Global Wine Handbook 2008.
 - 2007 - f2008 data taken from IWSR United Kingdom INDEX report 2008
 - South Africa was in position 5 until 2006, when it was exceeded by Chile and Spain
 - Chile data for 2002 were not available. 1998 data were used.

The rest of the competition

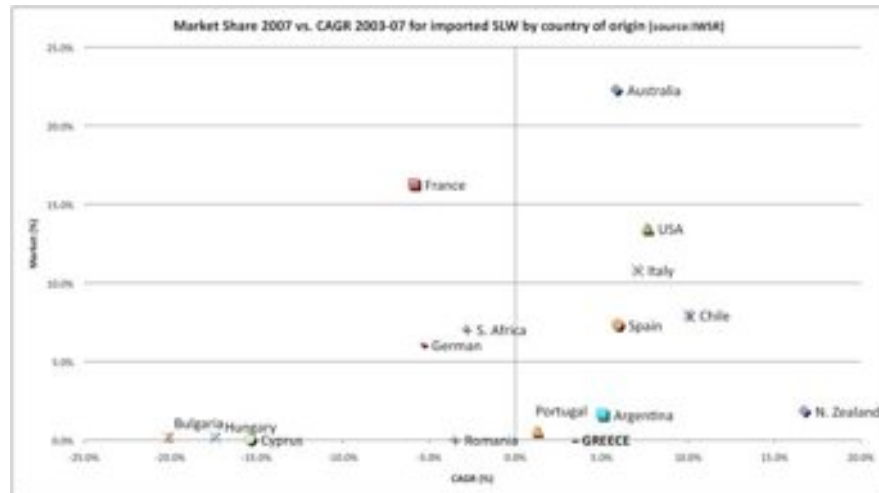
As previously mentioned, the UK is one of the world's most important «arenas» for competing wine producing countries and most of the global wine industry's players have a presence:



Source: Based on data provided by IWSR, UK Index, June 2008

Spanish wines come 6th in sales volume, ranking a position lower than Chilean wines and similarly South African wines rank in 8th place. This may appear unusual but Chile has been very successful in establishing its wines in the UK market and surpassed Spain and South Africa in 2004 and 2006 respectively.

The following plot diagram paints a clear picture of the international competition in the UK market³⁶:



Source: Based on data provided by IWSR, UK Index, June 2008

The plot reveals a key niche player in New Zealand that has a very small share on total consumption volume (1.9%) but has an average annual growth rate of 16.7%, which is 67% higher than that of the second fastest growing competitor, Chile.

Additionally, France's decline in recent years is shown clearly with a negative CAGR which is forecasted to continue in 2008.

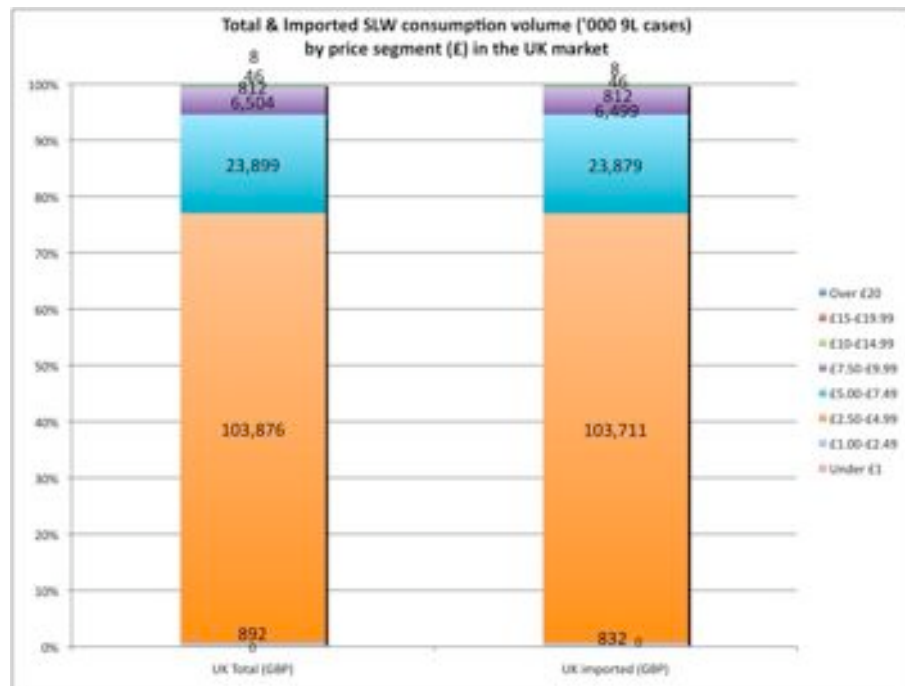
³⁶ Growth here is measured as the Compound Average Growth Rate (CAGR): CAGR is the geometric mean growth rate on an annualized basis and it represents the smoothed annualized gain/loss achieved over the entire period in question. CAGR dampens the effect of volatility of periodic gains/losses that can render arithmetic means irrelevant, and is calculated by the formula:

$$CAGR(t_0, t_n) = \left(\frac{V(t_n)}{V(t_0)} \right)^{\frac{1}{t_n - t_0}} - 1$$

where $V(t_0)$: start value, $V(t_n)$: finish value, $t_n - t_0$: number of years.

Consumption per price segment

The following graphs shows consumption volume per price segment³⁷ in the UK market, both for total and imported wine:



Source: Based on data provided by IWSR, UK Index, June 2008

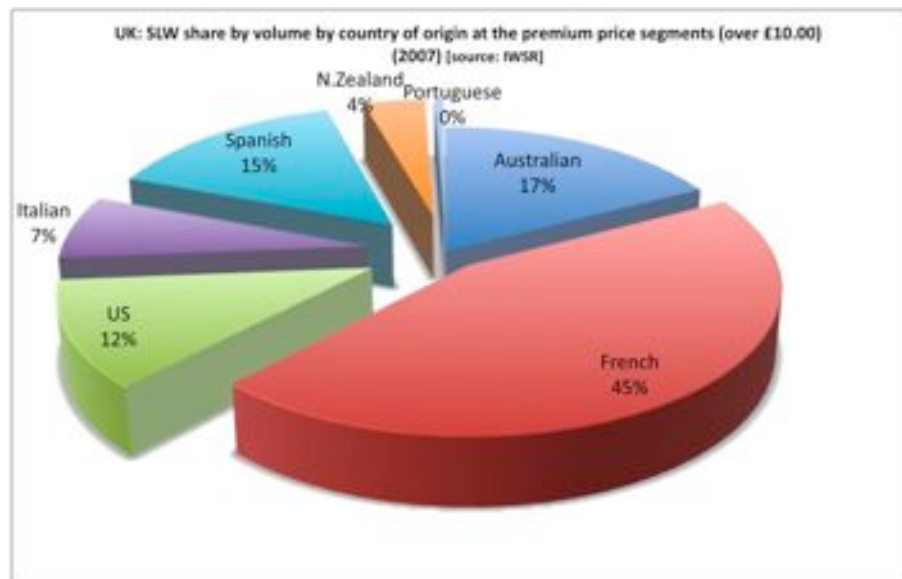
Understandably, the two price structures are virtually identical. The £2.50 - £4.99 price segment dominates the market as £3.99 is perceived as the right price for every-day wine of good quality. The two higher price categories from £5.00 to £9.99 also have a presence in the market but due to the relatively good quality at the basic price level, the intense competition both between producers and retailers that drives prices down, and the lack of wine knowledge on the consumers' part, it is becoming an increasingly greater challenge to persuade wine drinkers there is a reason to buy at premium price points.

³⁷ Prices are retail shelf prices based on retail audits conducted in leading supermarkets

Major brands in each price segment

Country level

At the premium price segments (£10.00 and higher), France is the indisputable leader, as the following chart reveals:



Source: Based on data provided by IWSR, UK Index, June 2008

At the remaining price levels, countries assume market roles as analysed in previous sections of this report.

Brand level

With regards to the popular price segments (£2.50-£7.49) which represent approximately 95% of sales volume, the biggest brands are shown in the table that follows:

Country of Origin	Brand	Distributor	Quantity 2007 ('000 9Lt Cases)
Australian	Hardy's Still Wine	Constellation UK	7,123.00
US	Gallo Still Wine	Gallo	6,113.00
US	Blossom Hill Wine	Diageo	5,262.00
International	Stowells Wine Box	Constellation UK	4,000.00
Australian	Jacobs Creek Still Wine	PR UK	3,500.00

South African	Kumala South African Still Wine	Constellation UK	1,997.00
Australian	Lindemans Still Wine	Fosters	1,851.00
Australian	Wolf Blass Wine	Fosters	1,734.00
US	Echo Falls US Wine	Matthew Clark	1,725.00
Chilean	Concha y Toro Range	Concha y Toro UK	1,701.00
Australian	Banrock Station Wine	Constellation UK	1,680.00
French	Chenet	G.C.F.	1,507.50
South African	First Cape South African Wine	Brand Phoenix	1,412.00
Chilean	Cono Sur	Wavarley TBS	1,335.00
South African	Namaqua South African Wine	Raisin Social	1,100.00
Chilean	Isla Negra	Constellation UK	1,000.00
US	Coldwater Creek US Wine	Brown Foreman	795.00
Australian	Rosemount Still Wine	Fosters	710.00
French	Piat D'Or	Percy Fox	692.50
New Zealand	Montana	PR UK	660.00
Chilean	San Pedro Chilean Still Wine	G.C.F.	598.50
Australian	Calloway Crossing Australian Still Wine	McGuigan Simeon	575.00
New Zealand	Oyster Bay	Delegat's	550.00
Chilean	Luis Felipe Edwards	D&D Wines	542.50
Italian	Canti	D&D Wines	540.00

Source: Based on data provided by *IWSR, UK Index, June 2008*

The top 5 and top 25 brands stand for 19.1% and 35.9% of the total imported brand sales for 2007 respectively.

Appendix A provides top-line brand analysis profiles for the top selling producer brands (in the US, UK and German markets) segmented by country of origin. Each brand analysis form features brand name, signature, tagline and basic imagery for each of the wineries as well as their corresponding flagship product brands.






Market structure





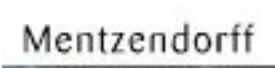
Distribution system and major players



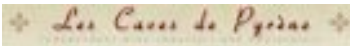


In contrast to the US's complex 3-tier distribution system (which is analysed in the corresponding section), the UK has a simpler system where importers are also licensed as distributors. The market's largest distributors³⁸ are:

Large multinationals	
	<p>Matthew Clark (www.matthewclark.co.uk) A Constellation Brands company, M.C. offers a wide portfolio of wines, spirits and liqueurs, beers, ciders, PPS and soft drinks. Brands: Hardy's, Stowells, Kumala, Echo Falls, Banrock Station, Isla Negra</p>
	<p>Pernod Ricard UK (www.pernod-ricard.com) Pernod Ricard is "the world's co-leader in wines and spirits". The company is focusing on its key brands, builds its premium product portfolio, invests in emerging markets and expands through acquisitions. Brands: Siglo, Campo Viejo, Jacob's Creek, Mumm.</p>
	<p>Percy Fox (Diageo) (www.percyfox.co.uk) Focuses on creating value through "its brands and its people". Its wine portfolio covers Old/ New world wine, Champagne and Sparkling. The company is part of Diageo. Brands: Blossom Hill, Piat D'Or, Pommery, babich, Charles Lafitte</p>
	<p>Fosters (www.fosters.com.au) Based on Australia and featuring a very strong beer brand, the group brings to the UK wines of the New World and brands from California, New Zealand and Australia. Foster's claims the strongest premium import portfolio in the UK and Europe. Brands: Lindemans, Wolf Blass, Rosemount, Penfolds</p>

³⁸ With an emphasis on supplying London and the South East

	<p>Waverley TBS (www.waverleytbs.co.uk)</p> <p>The UK's leading independent drinks wholesaler, claiming 1 in every bottles of wine sold in the country. The company has its own "flying winemakers" working with wineries around the world to provide exclusive ranges, such as Moondarra, Olver&Craig's and Cape Promise. The company's portfolio consists of both mainstream and niche brands.</p> <p>Brands: Cono Sur</p>
	<p>G.C.F. (www.gcfplanet.com)</p> <p>The French leader in wines and spirits exports, GCF has a presence in almost all wine regions of France, and a global commercial reach. The company works in close partnership with vineyards and producers to achieve best results.</p> <p>Brands: Chenet</p>
	<p>Moët Hennessy (http://www.lvmh.com)</p> <p>Part of the Moët Hennessy- Louis Vuiton Group. The Group owns a strong portfolio of leading premium/ luxury brands around the globe.</p> <p>Brands: Moët & Chandon, Dom Pérignon, Veuve Clicquot, Krug, Mercier, Hennessy, Chandon, Cloudy Bay</p>
Origin specialists	
	<p>Enotria Wines (www.enotria.co.uk)</p> <p>One of the UK's leading importers and distributors for wine, the company has a portfolio with French, Italian and New World wines. The company represents over 200 producers and 1,500 wines.</p> <p>Brands: Peter Lehmann, Henriot</p>
	<p>Liberty Wines (www.libertywine.co.uk)</p> <p>Awarded Agent of the Year at the 2008 International Wine Challenge and Italian Specialist Merchant of the Year for the 8th time in 10 years. The company focuses on Italian wines but has a diversified portfolio representing both old world and new world.</p>

	<p>Fields Morris & Verdin (Berry Bros & Rudd) (www.fmvwines.com)</p> <p>The company focuses on high quality wines and Champagnes, supplying both the on- and off-trade channels. Works with fine domaines and wine estates that can support its premium portfolio</p>
	<p>Thierry's (www.thierrys.co.uk)</p> <p>The company accounts for 1 in 16 bottles entering the UK, with a total 6% of the wine market. Thierry's is the largest importer of French wines to the UK with 4m cases p.a. and 25% of the French imported wine market. The company is diversifying its portfolio with wines from a variety of countries and the New World.</p> <p>Brands: Cape Grace, Caves Saint Pierre, Gerard Bertrand, Laboure Roi, Mont Tauch, Micolos Feuillate, Tariquet, Terra Vecchia</p>
	<p>Thorman Hunt</p> <p>Brands: Dom du Vieux Telegraphe, Andre Dezat, and several top small growers in Loire, Rhone and Beaujolais</p>
Generalists	
	<p>Bibendum (www.bibendum-wine.co.uk)</p> <p>Claiming to be the "most accessible, relevant and captivating wine company in the business, Bibendum, supplying the off-trade, the on-trade as well as retail customers with both mainstream and fine wines.</p> <p>Brands: Alamos Ridge, Libertad, Catena Zapata, Graham Beck</p>
	<p>John Fells & Sons (www.fells.co.uk)</p> <p>One of the leading fine wine importers in the UK, supplying all channels.</p> <p>Brands: Torres, Jackson Family, Baron Philippe de Rothschild, Hugel et Fils, Guigal, Symington Ports, Hugel, Bouchard Pere, William Fevre</p>
	<p>Mentendorff & Co (www.mentendorff.co.uk)</p> <p>Represents family-owned producers of the</p>

	<p>Old and New World, focusing on fine quality wine.</p> <p>Brands: Bollinger, Taylor Fonseca Port, Chapoutier, Hidalgo</p>
	<p>Hatch Mansfield (www.hatchmansfield.com)</p> <p>Niche company focusing on serving a small number of agents/ producers</p> <p>Brands: Taittinger, Errazuriz, Villa Maria, St Francis, Louis Jadot, McKinley Vintners</p>
	<p>Berkmann (www.berkmann.co.uk)</p> <p>Independent wholesaler distributing both to on- and off- trade with basic, household brands as well as premium, niche wines.</p> <p>Brands: Georges Duboeuf, Julian Chivite, Bodega Norton, Delas, Antinori, Casa Lapostole.</p>
	<p>Caves de Pyrène (www.lescaves.co.uk)</p> <p>Small company founded by a group of friends who love wine. With the company's initial focus on French wine, CdP today also offers wine from Portugal, Italy, Greece (Hatzidakis), Morocco, Lebanon, Germany, New Zealand, Australia, Chile Argentina, US and South Africa.</p>
	<p>Coe Vintners (www.coevintners.com)</p> <p>Independent importer and wholesaler offering both affordable and fine wines from well established as well as developing regions around the world.</p> <p>Brands: Kendall Jackson, St. Francis, Caliterra and exclusive brands such as Lagarde and Santa Puerta.</p>
	<p>Boutinot (www.boutinot.com)</p> <p>Producer, importer and distributor with a diversified portfolio of wines that express their region and varietal and offer "genuine quality at every price point"</p> <p>Brands: Meridian Wines, Capricorn, Paul Boutinot</p>

	<p>Novum wines (www.novumwines.com)</p> <p>The company's mission is to source "exciting new producers never seen before in the UK". Steve Daniel is Novum's wine buyer.</p> <p>Brands: Linda Domas, Perez Cruz, Tramin, Gaia Estate, Biblia Chora, Alpha Estate</p>
	<p>Vickbar (www.vickbarwines.co.uk)</p> <p>Representing distinctive and acclaimed wines from Greece, Croatia and New Zealand</p> <p>Brands: Ortonero, Gibbston Valley, NGA WAKA, Alpha estate, Argyros, Emery, Gerovassiliou, Karydas, Katsaros, Mercouri, Kir Yianni, Prparoussis, Nico Lazaridi, Pavlidis, Sigalas, Tselepos, Voyatzis.</p>

Taxation and excise duties

Excise duties make up for 40% of the total price paid for wine in the UK, one of the highest levels of taxation in Europe. Although over the past decade, increases in excise duty have increased slightly below the annual inflation rate, further increases on taxation are being considered as a counter-measure against binge drinking. To this end there was a total duty increase of 17% in 2008. It is estimated that excise duties will increase by 2% above inflation for the next 4 years.

In March 2009, British Prime Minister Gordon Brown has rejected proposals to introduce a minimum price system for alcohol. According to the Wine and Spirit Trade Association, such a system would leave the ordinary consumer at a serious disadvantage, as it would have resulted in the average bottle of wine costing a minimum of £5.05 – a huge increase in the current average price of £4.01.

Retail channels

Even though in-home drinking has been on the rise during the last decade and driving off-trade sales, the increasing popularity of wine as an ideal food accompaniment and the rise of gastro-pubs have favored on-trade wine sales as well. Most of the value in wine sales in 2006 was being in the on-trade (£5,202m or 56%), yet less than 20% of volume (197m lt. or 16.9%)³⁹ was sold this way.

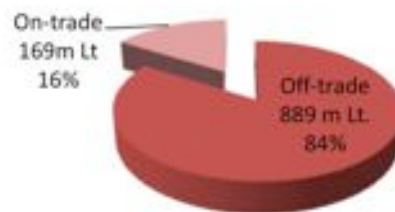
However, the economic downturn has pushed consumers towards off-trade purchases. According to industry sources, UK consumers are now trading down but buying more, thus making up for their savings per bottle.

³⁹ Mintel, Wine Retailing UK, June 2007

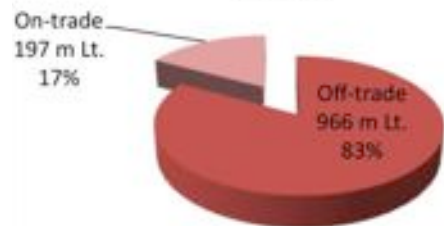
Wine Intelligence reports that fine wine sales have been doing well in the premium segment in the off-trade, «even if the supermarkets are focusing efforts on deals such as three-for-£10».

The following pie charts show evolution of wine expenditure in the on- and off- trade both in terms of volume and value:

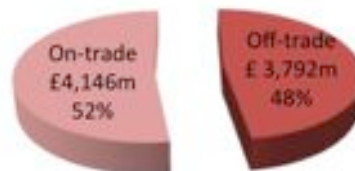
UK: Wine sales on- and off- trade split by volume
(m Lt. 2001)



UK: Wine sales on- and off- trade split by volume
(m Lt. 2006)



UK: Wine sales on- and off- trade split by value
(£m. 2002)



UK: Wine sales on- and off- trade split by value
(£m. 2006)

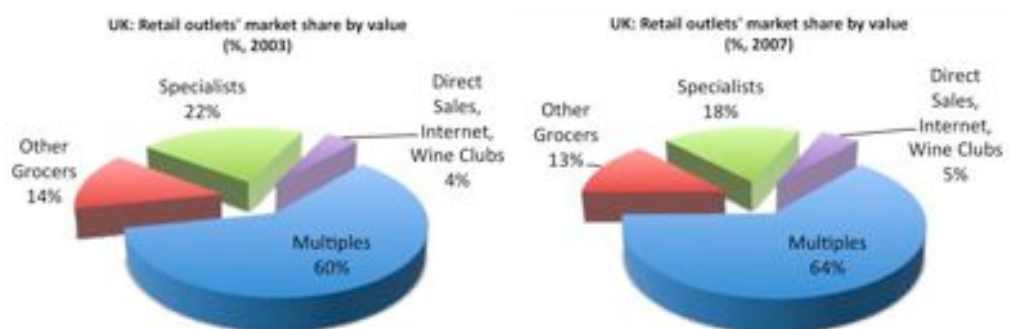


Source: Mintel, Wine Retailing, UK June 2007

The off-trade

The off-trade represents about 80% of the UK wine market by volume⁴⁰. Competition in the off-trade is intense, not only at product (and country of origin) level but also at channel and retailer level, mostly due to the wide variety of retail outlets licenced to sell alcohol. Those include specialist off-licenses, wine merchants, supermarkets, convenience stores, petrol station forecourt shops and video shops.

The following graphs show evolution in retail outlets' market shares by value:



Source: *Mintel, Wine Retailing, UK June 2007*

Non-specialist retailers

Supermarkets dominate the total wine market with a 46% share. Tesco with 22.7% and Sainsbury's with 14.1% are the main players, with Morrisons, Somerfield, Waitrose and M&S at follower and niche roles⁴¹. Specialist retailers represent 20% of the market, a share that is now on the drop for a number of reasons:

- With the advent of the "convenience" store format (smaller-sized supermarkets offering the essentials for top-up purchases, located at residential locations or city centers and operating extended opening hours), supermarket chains can compete directly with off-licenses and cover impulse and emergency shopping needs
- Supermarkets concentrate buying power, can push producers and suppliers to lower their prices and ultimately deliver lower prices for consumers
- Lower prices aside, supermarket chains today often provide a greater selection of wines

Additionally, in an effort to increase sales value, supermarkets have been introducing "fine wines" sections, featuring premium products and providing guidance to the consumer through specially trained sales staff. In an effort to enhance consumers' understanding of the product –and thus claim higher prices per bottle– Tesco is

⁴⁰ Confirmed by IWSR, Datamonitor and Mintel data

⁴¹ Mintel, Wine Retailing UK, June 2007

taking a step forward, introducing a virtual wine technology system to help customers selection. The Virtual Wine Advisor, currently being tested in six of Tesco's largest stores, enables customers to select wines by country, colour, style and price. Moreover, customers can also scan their selected wine for more detailed background information on the product, including food matches and recent press quotes.

Specialist retailers

With regards to specialist retailers, Thresher's is the market leader with 2,000 outlets and a 9.5% share, which has decreased by 2% since 2003. Majestic with 133 stores and a 3.6% share is the only specialist chain that has shown some improvement in recent years, going up by 0.6% since 2003. Oddbins has 268 stores and a 1.9% share.

The internet

Internet sales and postal order, currently used by 6% of the general population (and 1% of the ABs social classification) for purchasing wine, are growing according to research⁴². Appealing mainly to the more affluent consumer, the internet is proving ideal for wine sales as it allows for easier selection and comparison and provides buyers the option to make an informed choice through reading relevant reviews, minus the hassle of the bulky transport from an actual retail outlet.

Furthermore, discounts are available in the online trade and the choice is often wider too. Internet wine clubs and stores are proving to be an ideal channel for the wines of smaller producers who do not have the quantity (or the price) to supply supermarkets.

Direct Wines is the UK's largest direct order wine supplier, operating a variety of wine clubs such as that for the Sunday Times and British Airways along its Laithwaites mail order. Internet sales have also increased in popularity through the online channels of major retailers, such as Tesco.




It must be noted that the vast majority of UK retailers today operate online stores: Tesco, Sainsbury's, Asda, Waitrose, M&S, Oddbins and Majestic, all engage in e-commerce.

⁴² Mintel, Wine Retailing June 2007

Major retailers in the off-trade



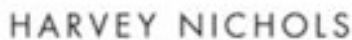
The following table provides a brief description for each of the main retailers in the off-trade, by type:




Non-specialist retailers	
	<p>Waitrose (www.waitrose.com)</p> <p>Waitrose is the supermarket division of British retailer John Lewis Partnership, with 193 branches. Waitrose targets the up-market consumer by selling high quality food and emphasizing on customer service. Waitrose's main competitors in this market are Marks & Spencer and Sainsbury's. It currently has a 4% share of the food market.</p> <p>Waitrose lists French wines under separate regional categories (Alsace, Bordeaux, Burgundy, Loire, Rhone, South, Champagne). France leads the portfolio (357 labels), Australia comes second (130) and Italy third (83). Spain, South Africa, Chile, New Zealand, US and England (!) all fall in the 35-65 labels category. Argentina follows (24) and Germany (27) and Austria (10) have a stronger presence than with most other retailers. Waitrose is running an "Australian Special" theme currently, with special offer on Australian wine.</p> <p>Waitrose also operates its own internet wine store.</p>
	<p>Sainsbury's (www.sainsburys.co.uk)</p> <p>Sainsbury's is the third largest chain of supermarkets in the United Kingdom. It grew to become the largest grocery retailer in 1922 and pioneered self-service retailing in the UK. The chain enjoyed its zenith during the 1980s.</p> <p>Sainsbury's puts heavy emphasis on French (98 labels) and Australian (83). Italian comes third (63) and "North American" (essentially US) comes fourth (55). Wines from Chile and Argentina are presented together under the "South America" category, with more wines from Chile present. Similarly, Spanish and Portuguese wines fall under separate categories in the red wine section but under the same in the white wines section. Other European wines have a very small presence and that is mainly in the white wines section</p>

	<p>with German wines mostly. Sainsbury's has a top list of recommendations which currently features 2 Italian, 2 Chilean and 4 US wines.</p>
	<p>Tesco (www.tesco.com)</p> <p>Tesco is a British-based international grocery and general merchandising retail chain. It is the largest British retailer by both global sales and domestic market share. In 2008, Tesco became the world's fourth largest retailer, the first movement among the top five since 2003.</p> <p>Tesco's range includes French (179 labels), Australian (134), Italian (72), together representing 62.6% of its total range. Tesco portfolio's also includes Chilean, New Zealand, South African, Spanish and US wines.</p> <p>Tesco also operates its own internet wine store.</p>
	<p>ASDA (www.asda.co.uk)</p> <p>Asda is a United Kingdom supermarket chain which retails food, clothing, toys and general merchandise. It became a subsidiary of the American retail giant Wal-Mart, the world's largest retailer, in 1999, and is the second largest chain in the UK after Tesco, having overtaken Sainsbury's in 2003. Asda's marketing promotions have usually been based solely on price, with Asda promoting itself under the slogan "Britain's Lowest Priced Supermarket, 11 Years Running."</p>
	<p>Marks & Spencer (www.marksandspencer.com)</p> <p>Marks & Spencer is a British retailer, with 843 stores in more than 30 countries around the world, 600 domestic and 240 international. It is the largest clothing retailer in the United Kingdom, as well as being a food retailer, and as of 2008, the 43rd largest retailer in the world.</p> <p>M&S, in line with the other major retailers puts its emphasis on French wine (199 labels) and secondarily on Australian (71). Italian, Chilean and Spanish fall in second tier with significantly smaller number of labels (35-55) and are followed by South Africa and New Zealand (around 25). The US, Portugal, Argentina, Germany, Hungary</p>

	and England come last with only a niche presence in the portfolio. Current "weekly recommended" wines by M&S are 2 New Zealand and 1 French; it must be noted however that in the "Recommended by the press" section of the site, French wines dominate (6 recommendations) with 3 Italian and 1 Spanish to complete the list.
Specialist retailers	
	<p>Nicolas (http://www.nicolas.com)</p> <p>Nicolas is a worldwide wine retailer with 522 branches in France, 80 in England, 8 in Belgium, 1 in Poland, 2 in Russia and 1 in Morocco. It forms part of the CASTEL Group. Nicolas is perceived as the top wine retailer in terms of range and quality of French wines attracting upmarket affluent consumers.</p>
	<p>Majestic Wine (www.majestic.co.uk)</p> <p>Majestic was formed in 1981, initially with just a single store in London's Wood Green. Today Majestic Wine Warehouses is the UK's largest wine warehouse chain, with nearly 150 stores in England, Scotland and Wales, as well as three stores under the Wine & Beer World banner in the channel ports of France. Majestic Wine operates as a mixed case retailer, selling a mixture of wine, champagne and spirits with a minimum purchase of twelve bottles. Having such a policy has allowed the retailer to offer customers free tasting, free delivery and free glass hire.</p> <p>Majestic follows Waitrose in separating France into regions. French wine leads (365 labels), Australian, Chilean, Italian, Spanish and South African follow in the 35-65 range, New Zealand, Argentinean and US fall third (20-25 labels) and German and Portuguese wines are at around 5 labels each.</p> <p>Majestic Wine also operates its own internet wine store.</p>
	<p>Oddbins (www.oddbins.com)</p> <p>Oddbins started as wine retailers in 1970s owned by Dennis Ing and Nick Baile who introduced Britain to the wines of Portugal and the South of France. In 2000 and 2001 the retailer won Wine Merchant of the Year.</p>

	<p>Oddbins owns 164 stores in the UK, including 20 in London, stores in Ireland and a store in Calais, France.</p> <p>Oddbins is the only main retailer with which French wines don't have first place in its portfolio. Australia (112 labels) marginally outranks France (106) and Chile, South Africa, Italy, Spain and New Zealand follow (35-65 range). Argentina and US come under the 10-20 labels category and Germany, Austria, Hungary and Greece (with Xerolithia and Mirambelo from Creta Olympias) have a presence too.</p> <p>Oddbins also operates its own internet wine store.</p>
	<p>Wine rack (www.winerack.co.uk)</p> <p>Wine Rack has 134 stores throughout the UK and is owned by First Quench Retailing, the 13th largest private retailer in the UK, serving over 150 million customers a year across its different brands. Wine Rack stores currently stock in excess of 350 different wines, offering award-winning vintages to exclusive ranges such as Origin and Radcliffes. Additionally, it stocks a wide selection of world beers, spirits and mixers. Wine Rack has a broad customer base attracting consumers from different segments.</p>
High-end Department Stores	
	<p>Selfridges & Co (www.selfridges.com)</p> <p>Selfridges is a chain of department stores in the United Kingdom. Founded by American entrepreneur Harry Gordon Selfridges, the flagship store in London's Oxford Street is the second largest shop in the UK (after Harrods) and was opened on 15 March 1909. Three other stores have opened since: Trafford, Greater Manchester (1998), Manchester (2002) and Birmingham (2003).</p>
	<p>Fortnum & Mason (www.fortnumandmason.com)</p> <p>Fortnum & Mason is a worldwide famous store which has held many Royal Warrants for over 150 years and is the shop most closely associated with the British Royal Family. It is an upmarket department store located in Piccadilly, London, established in</p>

	1707 by William Fortnum and Hugh Mason.
	<p>Harrods (www.harrods.com)</p> <p>Harrods is a department store located in Knightsbridge, London. Since the store first opened its doors in 1849, Harrods has always prided itself on a reputation for excellence and finding the finest-quality merchandise. The Harrods brand also applies to other enterprises undertaken by the Harrods group of companies including Harrods Bank, Harrods Estates, Harrods Aviation and Air Harrods. The store occupies 18,000 m2 and has over 1 million square feet of selling space in over 330 departments. Noël Coward, Sigmund Freud, Oscar Wilde, Queen Mary, AA Milne and Pierce Brosnan have each added their own mark as customers.</p>
	<p>John Lewis (www.johnlewis.com)</p> <p>John Lewis is a chain of upmarket department stores operating throughout Great Britain and popular amongst the British middle class for its high quality goods. There are currently 27 stores throughout England and Scotland and a further 8 stores are confirmed to open in the next 5 years. On January 2008, John Lewis Oxford Street was awarded a Royal Warrant from Her Majesty the Queen as suppliers of haberdashery and household goods. The John Lewis shop in Reading, Berkshire also has a Royal Warrant from the Queen as suppliers of household and fancy goods, received on January 2007. John Lewis is positioned in the retail market above Marks and Spencer and Debenhams and at a lower level to Selfridges.</p>
	<p>Harvey Nichols (www.harveynichols.com)</p> <p>Harvey Nichols founded in 1813, is an upmarket department store chain. Its original store is in London, but it expanded to Leeds, and later to more cities in the United Kingdom and elsewhere. The store offers many of the world's most prestigious brands in womenswear, menswear, accessories, beauty, food, and home. Harvey Nichols attracts younger shoppers than its rival Harrods but tends to be more expensive.</p>

Internet Retailers	
	<p>Laithwaites (www.laithwaites.co.uk)</p> <p>The company started 1969 and today they serve over 700,000 regular customers from a list of 4000 wines. In order to make their selection the company's experts taste over 40,000 wines.</p>
	<p>Virgin wines (www.virginwines.com)</p> <p>Virgin Wines was originally set up in the United Kingdom by Richard Branson as a web-based wine selling company and it was sold to Direct Wines in 2005. The website is presented as a wine boutique selling high quality hand crafted wines.</p>
	<p>Berry Bros. & Rudd (www.bbr.com)</p> <p>Berry Bros. & Rudd is Britain's oldest wine and spirit merchant, having traded from the same shop for over 300 years. The business was officially established in 1698 by the Widow Bourne at 3 St James's Street in London, opposite St James's Palace. In 1994 Berry Bros. & Rudd launched one of the first online wine shops, which is now regarded as Britain's leading wine website.</p>
	<p>Le Bon Vin (www.lebonvin.co.uk)</p> <p>Le Bon Vin has been supplying wine since 1986, importing the majority of wines and spirits direct from their country of origin. The company sells wines on the internet since 2003 and their website is becoming one of the UK's top wine online stores due to the range of the offered products and the company's commitment to low prices and quality wines.</p>
	<p>Chateau Online (www.chateauonline.com)</p> <p>ChateauOnline is one the biggest online wine stores on the web and has different sites for France, UK, Germany, Italy, Belgium, Holland, Denmark, Luxemburg and Russia. The UK online store offers a wide selection of wines from all over the world. ChateauOnline unique selling point is sommelier Jean-Michel</p>

	Deluc, formerly of the Paris Ritz hotel, who chooses and recommends their wines.
	<p>Cadman Fine Wines (www.cadmanfinewines.co.uk)</p> <p>Cadman Fine Wines sells carefully sourced wines and the store. Wine is sourced by Cadman's team of experts based in Italy, France, Spain and the UK. To achieve a Cadman Fine Wines listing, each wine must score at least 88 points in their quality rating system. Cadman Fine Wines is a wholly-owned subsidiary of the Venulum Group.</p>

Source: Critical Publics, Greek Wine Mystery Shopping, London October 2008 and Wine Online Shopping Review-Top UK Online Wine Retailers, October 2008

Price brackets for price-based wine categories in the off-trade

The following table presents the 5 main classifications for bottled wine based on the product's retail price and the corresponding price brackets per bottle⁴³:

Category	Price bracket (£)
Super value wines (the most inexpensive ones)	<4.99
Basic or sup-premium wines (the next level up)	5-7
Premium wines (the next level up)	7-9.99
Super premium wines (the next level up)	10-20
Ultra premium or deluxe wines (the next level up)	20-29.99
Icon wines (most expensive, yet nor rare collectable wines)	30-50

The on-trade

The UK on-trade sector represents approximately 20% of the total wine market by volume⁴⁴ and comprises of over 58,000 pubs and 29,000 clubs, in addition to hotels, restaurants and other licensed businesses⁴⁵. Despite the minority share on wine volume, the on-trade accounts for 56% of the markets value, with £5,394m sales estimated for 2007 against £4,239 for the off-trade.

Although the smoking ban has driven people to drink more at home, on-trade wine sales have seen a 16.6% increase in the period 2001-2006 due mainly to:

⁴³ Price brackets may fluctuate according to source

⁴⁴ Datamonitor, Wine in the United Kingdom Industry Profile, November 2007

⁴⁵ Mintel, Wine retailing UK, June 2007

- The shift towards food-related sales. An increasing number of pubs offer meals and wine is seen as an ideal companion
- Over the past years the quality of wine lists on offer has seen drastic improvement, in line with the growing wine culture, urging consumers to try not only established wines but also go for the less obvious choices

A list of the top trend-setting restaurants and bars in the urban «creative class» centres of the US is provided in Appendix C: Wine & Gastronomy Catalysts (see also following section on Wine & Gastronomy Catalysts).

Catalysts, trends, consumer perceptions and behavior analysis

The following section identifies catalysts and trends in the wine domain, consumer perceptions regarding wine, as well as behavioral patterns influencing purchases in the UK wine market.

N.B.: Due to the fact that global sustaining and emerging trends in the wine domain are exhaustively presented and analysed within Deliverable 1.1, the present analysis only highlights those trends among them that are predominant for UK consumers.

Wine & gastronomy catalysts

Within the scope of the present study, the opinion-leading entities in the wider wine, gastronomy and entertainment domains, which shape consumers' perceptions and behavior, were identified and profiled.

The selected catalysts are either related to the wine industry or draw wine enthusiasts or appeal to an audience that enjoys wine in general, and were selected according to their degree of influence in the UK market. Thus, they include:

- Influential lifestyle, variety, well-being, gastronomy and wine media as well as those regarded as catalysts irrespective of subject – however they feature wine sections or ad hoc articles; these include print, online, social and audiovisual media
- Influential professionals such as chefs, wine experts, editors and other gastronomy celebrities have been included
- Venues such as trend-setting restaurants and bars have also been researched
- High profile industry events targeted at trade players or end-consumers, such as awards, fairs and exhibitions.

Although there cannot be a definitive rule regarding who is considered to be a catalyst, certain patterns and common features emerge from research. The significance of the creative class becomes apparent in view of the profile and locus of the identified catalysts. The creative class, a term introduced by social scientist Dr. Richard Florida, describes a group of people, that are considered to be a key driving force for economic development of post-industrial cities; it consists of scientists, engineers, managers, innovators and people in research and development, as well as artists, writers and musicians, thinkers, decision-makers, who influence cultural phenomena and impact business. Their impact not only on the evolution of the consequent creative centres but also on the further concentration of individuals that excel in their domains is evident.

In the context of the present analysis it is apparent that wine and gastronomy catalysts identified can be traced to a large extent in the so-called creative centres. Appendix B provides the necessary background analysis for the identification and profiling of urban «creative centres» in the 3 reference country-markets.

Wine and gastronomy catalysts are presented and profiled in Appendix C in an extensive –yet not exhaustive– list. The methodology for the initial selection and finalisation of catalysts list is also presented in the Appendix. It should be noted that factors such as recognition, i.e. awards or Michelin stars, popularity, circulation and readership were primary.

Trends and consumer perceptions on wine

Even though global sustaining and emerging trends in the wine domain are exhaustively presented and analysed within Deliverable 1.1, the section hereafter aims to briefly highlight those trends among them that will mostly affect the UK wine market in the near future.

In-house consumption

In-house wine consumption, as mentioned in several points so far in this report, is a key characteristic of the UK market, showing considerable growth over the past years. In 2006, 47.4% of respondents asked agreed with the statement «most of my drinking is done at home», a 9.2% increase over a decade. The trend is pushed by a growing dislike for pubs and the associated binge drinking culture, the effect of the smoking ban and a rise on social entertaining at home.

Drinking at home, also perceived as the ideal reward after a hard day, as an end of the week treat or even more as an inseparable aspect of socialising is now integrated in the British lifestyle. Supermarkets played a major role in establishing the trend by moving from small, daunting, hard to understand wine shelves to extended offerings complete with wines of the New World, which offered a user-

friendly and fun approach and succeeded in breaking down social barriers associated with wine. This was combined with the promotion of brands that make wine a less risky option than it once was, giving rise to the trend which is constantly fueled by the big promotions and discount strategies of retailers.

In-house consumption and home entertaining in particular is expected to influence heavily wine consumption and give rise to more shopping occasions and wine styles (eg. Premium wine as a gift on a visit).

Responsible drinking

Binge drinking (excessive, uncontrolled alcohol consumption and associated behaviours) is an issue that the UK has tried to deal with in many ways. This is not a new item on the UK's agenda, as it carries significant cost to public services and healthcare aside from the obvious implications with law and order.

With the on-trade instituting and enforcing legislation with regards to underage consumption and opening hours (longer opening hours leads to people drinking slower and avoiding high levels of intoxication) to prevent binge drinking, the off-trade and its discount practises is today largely blamed for the phenomenon.

With regards to under-age drinking, despite all efforts, 29% of on-trade and 21% of off-trade premises were found to be selling to minors. The Challenge 21 scheme (requesting younger-looking consumers to provide ID when purchasing alcohol) has not delivered significant results.

To that extend, new labels that highlight the effects of excessive drinking will be introduced shortly and further legislation is expected in the future to put a halt on the phenomenon. To reduce the under-age drinking problem, the Violent Crime Reduction Bill will deliver harsher penalties to outlets that break the law and sell to minors. The effect these actions will have on wine consumption cannot be predicted yet.

Retailers are concerned about being perceived as socially responsible, yet at the same time are wary of any forthcoming legislations that may affect their tactics. In 2004, the UK government published its Alcohol Harm Reduction Strategy, which focuses on:

- Education and communication
- Improving health and treatment services
- Combating alcohol related crime and disorder
- Working with the industry

Participation in the scheme is currently voluntary, although the threat of legislation is real if insufficient change is not seen.

Furthermore, the EU Wine Plan for Responsible Consumption Communication was launched in the UK in April 2007. Aiming to ensure that wine is promoted in a way that encourages moderation and responsibility in alcohol consumption, the initiative is based around a 'common message', an 'Art de Vivre' education campaign, and the European Wine Communication Standards. The initiative will be communicated through the new Wine Information Council.

Admittedly, the binge drinking culture is less related to wine than other spirits. Still, this is an industry-wide issue affecting all. The main issue for the wine industry in the UK market is to build demand in younger demographics, yet still not to encourage, or even appear to encourage, binge drinking; in other terms, to persuade people to switch to wine, not increase their alcohol consumption.

Fighting the «mega-serving» trend

In relation to the previous point, a recent development has been introduced which involves the regulation of alcohol serving sizes. Lately, an increasing number of pubs have been using «small» and «large» glass sizes of 175ml and 250ml to serve wine to their patrons, far exceeding the standard size for wine glass which used to be 125ml – or approximately one unit of alcohol. It has also been observed that 1 in 10 pubs use the 250ml glass as standard (1/3 of a wine bottle), which contains approximately 3.5 units of alcohol. It is believed that this can push drinkers over the safe drinking limit for driving, in many cases without them even taking notice. To deal with this threat, new mandatory serving glass sizes have been issued at a volume of 125ml. Going forwards, all pubs will be obliged to offer customers the option of the 125ml alongside larger glass sizes⁴⁶.

Healthy drinking

Binge drinking aside, as consumers become increasingly health conscious and aware of the impact of their diets to their well-being, this affects their alcohol and wine choices. In the UK there is constant media coverage on related issues such as diet, healthy eating, obesity and excessive drinking; as a result, about 25% of people claim to be moderating their alcohol intake because they are conscious of its impact on their health.

Reducing alcohol consumption in these terms is proving a challenge, as alcohol calories remain invisible compared to food calories. In addition, alcohol has a strong element of social pressure to it, making it harder to moderate.

With wine, efforts to promote low alcohol products has met resistance, due to perceptions regarding quality. Still, what has been a small niche demand for low-alcohol wines is now showing signs of growth and should not be ignored; M&S has already said it would be looking to introduce more low-alcohol wines in its range and

⁴⁶ <http://www.dailymail.co.uk/health/article-1164815/Pubs-offer-smaller-glasses-wine-cut-drinking-says-Government.html>

others are expected to follow. Ideally the focus should fall not on the negative effects of excessive drinking but on the positive effects of moderate, regular wine drinking.

The demand for healthier drinking drives innovation not only towards low-alcohol wines but to other directions as well. One of these is the 25cl bottle, directed not only towards the single consumer but to those who want to indulge in a wine treat without being forced to drink a whole bottle.

Finally, despite wine being the healthiest alcoholic option available, UK consumers are failing to see the maximum benefit of this. Government research indicates that wine drinkers exceed moderate drinking recommendations more than consumers of other alcoholic drinks do. Reports show that middle class wine drinkers are at most risk, with 7m exceeding medical recommendations and another 3m classed as problem drinkers. This issue can cripple the National Health Service if not dealt with appropriately⁴⁷.

Functional wines

A consequence of the growing perception of wine as a healthy alcoholic beverage is the potential advent of functional wines⁴⁸. The term refers to wines with added antioxidants that could be available in the UK market by the next summer, subject to approval of the vinification process by the European Commission. The wines are already being sold on trial in Australia and contain 100mg/lit of the antioxidant substance resveratrol, which is more than the corresponding 3-6mg/lit in regular red w and 1mg/lit in regular white wines.

Ethical and environmental issues

The consumers who drink most wine, especially in the off-trade, are statistically more likely to have a higher-than-average level of ethical concerns. Albeit small in their influence with regards to wine purchasing, ethical and environmental issues are in today's agenda.

Wine drinkers have shown a growing interest both in Fairtrade and organic products, for some of which it is important to be seen as green. These consumers generally have a good understanding of the green concepts; the issue is to translate those concepts to wine.

With regards to Fairtrade, although it has seen growth and still has plenty of room to grow further, it appears to have finite limits in wine, as the product is made a set number of countries, most of which are not disadvantaged. Currently, the concept applies predominantly to wines from South America and South Africa.

⁴⁷ <http://www.dailymail.co.uk/news/article-1081420/A-quarter-adults-drink-wine-drinkers-worst-watchdog-warns.html>

⁴⁸ <http://www.talkingdrinks.com/news/latest-news/functional-wines-set-sights-on-uk-market.html>

With regards to the organic movement interest is growing. Organic is perceived as beneficial both for the environment and the consumer. Sales are re-enforced by the halo effect of green consumers who choose everything organic, regardless of potential individual benefits. Furthermore, organic is becoming more mainstream as known wineries start getting involved. This is a niche but growing trend that cannot be ignored and is expected to become more important in the future.

Along with the organic trend, interest in bio-dynamic wines is also growing, although this is still a very niche area. The issue that still remains for organic and bio-dynamic wines is whether they taste as good as conventional wines. With other foods, organic brings flavor benefits but this is not necessary always the case with organic wine.

With regards to environmental issues, the carbon footprint of wine producing and transporting is a very hot topic already and consumers are becoming increasingly conscious of this. This gives birth to alternative packaging (screw caps, cans, tetrapak and glass of reduced thickness and weight). Enhancing «green» credentials is on the agenda not only for wine producers but for retailers as well, which further re-enforces the trend.

Demand for English wine

What once seemed an impossibility, today is a reality. Despite the practically negligible volume of production, English wine is finding it hard to keep up with demand which, according to Waitrose, is growing by 120% per annum⁴⁹. Climate change has benefited the industry which is now seen at its birth stage and is expected to grow at a steady pace: England makes about 3m bottles a year and winegrowers expect this figure to quadruple over the next few years.

The shift in environmental conditions and the massive potential for growth is proving attractive to foreign investors. French companies in particular are expected to expand their operations on British soil, a prospect that they have been contemplating on for a number of years.

Consumer groups and purchase behavior

Wine consumption has a penetration of almost 70%, while more than 50% of consumers drink more than 1-2 bottles a month⁵⁰.

Lighter users consume more in-house, medium users about the same both overall and in-house and heavy users consume less in-house than they do overall

⁴⁹ Reuters: Sparkling future ahead for English wine – 29.01.08

⁵⁰ Mintel

Trends in bottled wine and in-home bottled wine consumption	2002 (%)	2006 (%)	point of change 2002-2006 (%)
Drinking of bottled wine (total)			
<i>Drunk in last 12 months</i>	66.8	66.5	-0.3
<i>Heavy users</i>	26.9	28.3	+1.4
<i>Medium users</i>	24.9	24.2	-0.7
<i>Light users</i>	13.5	12.9	-0.6
In home drinking of bottled wine			
<i>Heavy users</i>	22.3	23.5	+1.2
<i>Medium users</i>	22.9	22.4	-0.5
<i>Light users</i>	16.9	16.1	-

Source: Mintel, Wine Retailing UK, June 2007

Demographics vs. wine consumption

More than 50% of consumers have drunk at least one bottle wine within the last month. Certain demographics on the basis of gender and age but also social classification (ACORN) and lifestage heavily influence wine consumption in the UK. Not surprisingly, wine consumption both in-home and outside increases with age and socio-economic status, while women seem to be a key demographic also in the older age groups.

Consumers at Family and Third Age lifestages tend to consume more wine than Pre/No-family and Retired lifestages. The Pre/No-family lifestage and the ABC1 classification within it in particular buys more in the 2-4bottles/month category.

Key demographics

Women across lifestages

Wine drinking is more popular among women than men, as 7 out of 10 women consume wine regularly, opposed to only 6 out of 10 men. Women drive also in-house wine consumption (65% vs. less than 58% for men), and dominate both medium- and light-user categories⁵¹. In the heavy-user category, men and women segments are at equilibrium.

Furthermore, women in the UK are much more influential as wine buyers since they are responsible for 8 out of every 10 bottles bought for home-consumption⁵², according to a research titled Women and Wine, commissioned as part of a regular

⁵¹ Heavy users: 3 or more bottles in the past month, Medium users: 1-2 bottles in the last month, Light users: less than 1 bottle in the last month

⁵² <http://www.guardian.co.uk/lifeandstyle/2009/apr/02/wine-sales-women>

annual survey by Vinexpo, conducted in 2009 in France, Germany, the UK, Japan and the US.

The same survey reveals that 60% of women in Britain prefer red wine to white or rosé; Moreover, a third of women who enjoy wine as a treat at the end of the day admit that they prefer to drink it alone - in the bath.

Higher socio-economic status segments

Regardless of the increase in value through heavy discounting and lower prices, wine remains more popular amongst the more affluent consumers. Overall, the higher the ACORN classification, the higher the wine preference.

More than 80% of ABs and 71% of C1s are regular wine drinkers, while 45% and 31% belong to the heavy-user category respectively. Additionally, over a quarter of ABs buy more than ten bottles a month, while C1s are also frequent wine buyers demonstrating an increasing interest.

A strong link also exists between affluent consumers, upmarket and online retailers and heavy wine consumption.

Baby boomers

Regarding consumption volumes, the dominant age groups are 35-64, and within this broad range the 45-54 age group, across both overall and in-house wine consumption. Age groups from 25-34 and older carry more weighting in the heavy user group than in the medium and light user groups. In relation to the previous point, this trend is even more evident among the affluent population.

Penetration of bottled wine drinking and in-home drinking by age, 2006	15-19 (%)	20-24 (%)	25-34 (%)	35-44 (%)	45-54 (%)	55-64 (%)	65+ (%)
Drinking of bottled wine (total)	38.5	50.6	65.4	71.2	73.2	72.1	65.1
<i>Heavy users</i>	11.7	16.1	29.2	33.7	36.1	32	21.7
<i>Medium users</i>	19.8	19.3	23.3	24.6	23.5	26	26.3
Light users	6.3	14	12.1	12.2	12.7	13.2	15.2
In home drinking of bottled wine	32.7	46	61.8	68	69.3	67.4	58.7
<i>Heavy users</i>	6.3	11.8	22.6	28.2	30.8	27.7	18.6
<i>Medium users</i>	15.6	16.9	24.3	24.2	22.7	23.1	22.2
<i>Light users</i>	10.9	17.4	14.9	15.6	15.8	16.6	17.8

Source: Mintel, Wine Retailing UK, June 2007

Purchase behaviour

This section elaborates on the main factors with regards to the UK market that affect consumer buying behaviour.

Main factors influencing the consumer buying process

The results of a study conducted by Vinitrac⁵³ in the UK among regular wine drinkers in 2007 clearly pinpoint the relative weightings of choice queues in the consumer's selection process:

% "important or very important"	UK
Grape variety	79%
Promotional offer	65%
Recommendation by friend or family	63%
Country of origin	60%
Region of origin	57%
A brand I am aware of	54%
Alcohol content	33%
Recommendations by shop staff	29%
Appeal of the bottle or label design	26%
Medal or award	21%

Source: *Vinitrak*

Lack of wine knowledge, as highlighted in previous section, leads consumers to seek ways of minimizing perceived risk associated with the wine purchase. Consequently, factors that can help deal with uncertainty, such as the grape varietal, recommendations by friends and family, country and region of origin and brand awareness play an important role in the buying process.

Price, in the context of discounting and offers, is a major consideration and will be discussed in detail later on.

The role of the brand

The advent of strong wine brands in the UK has greatly simplified the process of wine selection for the majority of consumers, especially the less affluent and those in lower social classifications. The British consumer relies heavily on brands (30% prefers to buy known brands) which remove a lot of the risk associated with wine purchases, thus contributing to making wine an everyday drink.

⁵³ Vinitrac® USA December 2007; Base = US regular wine drinkers, n = 2,015; Vinitrac® UK January 2008; Base = UK regular wine drinkers; n = 1,009

Wine brands emerged with the New World and in particular with Australian wine, going against the Old World paradigm of complicated regions, denominations and vintages which had made wine an elitist drink. Today, the UK market uses brands more than any other factor.

Moving forwards however, as consumers develop a wine culture and build their knowledge, the need for new, diverse, unusual wines grows. For the mainstream that is happy with the (very good) quality that current mid-price brands offer, this will make little difference; Still, the need for more premium brands that will cater for those who want to spend more and experience different, yet they continue to require safety, is becoming apparent.

Most popular brands will find it difficult to upgrade their price levels with existing or even new wines, as a label that can be found on any wine does not carry premium weight in the minds of consumers.

By allowing consumers to make safe wine choices, brands now stand in the way of moving towards more complex and interesting products. With the use of brands, a large segment has been able to enjoy wine yet avoid to learn about regions, varieties, vintages and terroirs which is essential knowledge for making more premium choices, thus preventing them from trading up and exploring more.

Lack of wine knowledge and the role of price and discounting

In the very competitive UK market, the general rule is that consumers are happy with the quality of wine at lower price segments. The role of brands as seen in the previous paragraph, lack of consumer education and an inherently complex product contribute to this. Interestingly enough, despite the fact that wine has become more popular within the last decade, UK consumers do not seem to have advanced their knowledge and understanding of the product any further. According to a recent survey by Wine Intelligence, only 4% of the 19million wine drinkers who drink two to three times a month at home can be categorised under the «expert» category. Consequently, as the larger segment of the public cannot appreciate the differences and the benefits associated with higher quality and expensive wines, it finds it difficult to accept paying a premium for them.

On the other hand, retail discounting has further reinforced this and consumers have been keeping the average price artificially low by always choosing discounted wine at the price point of their preference. In other words, instead of using discounts to upgrade to more expensive wines, they stay to their normal price tiers and only 10% of consumers that enjoyed a more expensive wine will upgrade when the promotion is over.

The £3.99 (€4.57) price point is considered the norm for everyday wine, with most consumers preferring to pay less than £5.00 (€5.70) for a bottle of wine. Brands may have established themselves through pricing and discounting, it is the same practises however that have eroded brand loyalty, as consumers now buy on a deal. Overall,

price is seen as an indicator of quality and people will choose to pay a little more if it is a special occasion or social event.

Low prices and heavy discounts has beyond doubt driven sales volume up, but has also left the industry with very tight margins. This puts more strain on wine producers and is an obstacle in producing and marketing more premium, smaller volume wines. On a more positive note, according to TGI survey in 2006, almost 37% of adults are «prepared to pay more for good quality wine», while another 24% would not disagree with such a statement.

Awards & Recommendations

As consumers are largely uneducated and price is their first benchmark when choosing wine, awards are used to reinforce their decision making, constituting awarded wines as safe choices. The same stands true for journalist's reviews. Awards and press recommendations add credibility to brands' claims and help consumer make sense of a market that is very diverse and (to many) still confusing.

Choosing retail channels

According to research, the more upmarket the retailer the more likely their customers are to buy larger quantities of wine. High-end food retailers, such as M&S and Waitrose, and the internet are preferred by affluent (ABs) as well as older (55-64 year old) consumers.

Moreover, Broadband and internet users are heavy purchasers of wine. Inversely, direct channels are ideal for volume buyers with dominating shares among those who buy more than 5 bottles of wine per month.

The majority of consumers use more than 1 source/shop for buying wine, with using 2 sources/shops the prevailing trend (57%). This indicates that secondary sources are important to wine buyers, especially for unplanned purchases, while there is also a relatively high degree of loyalty for some stores.

Spending by occasion

Despite the discount culture, research indicates that consumers are steadily increasing the amount they are willing to pay for a bottle of wine. Currently, for normal drinking occasions, the £4.00- £4.99 bracket attracts the greatest share of consumers (21.6%).

For more special occasions, there is a noticeable shift in price ranges preferred by consumers. Today, 12.6% of consumers choose wines in the range of £5.00-£6.99 and 11.6% choose wine in the £7.00-£8.99 range. It must also be noted that 11.9% of consumers buy wines that cost £9 and above for special occasions.