

Wine Australia for Australian Wine

**Global sparkling wine
market trends**

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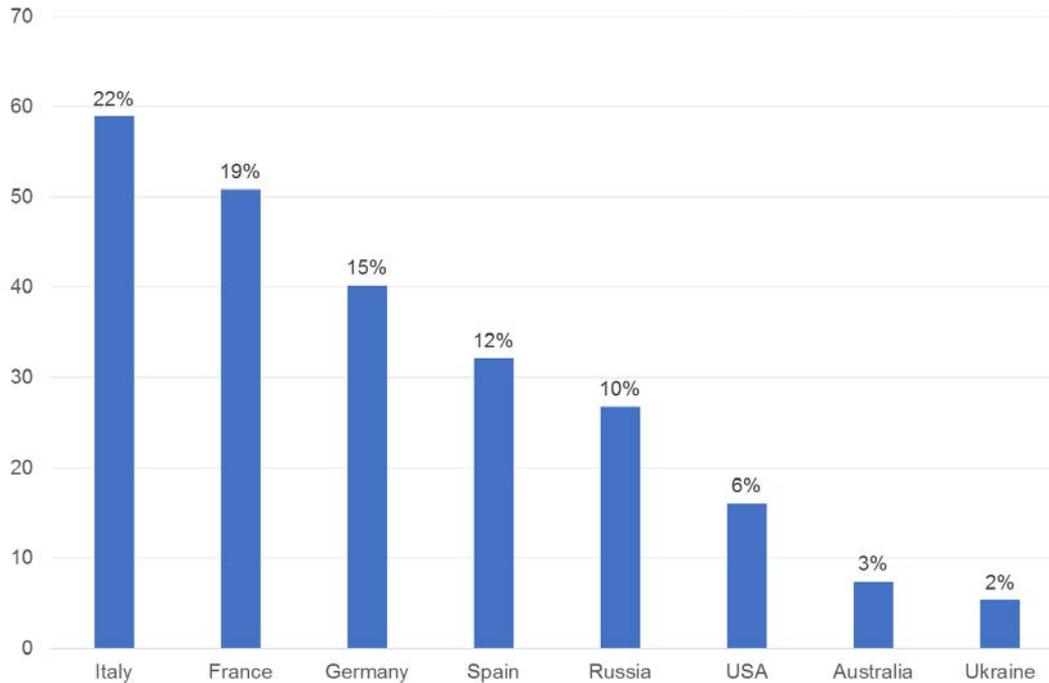
Presentation Outline

1. Who are the biggest sparkling wine producers?
 2. Where are the biggest markets?
 3. Where are the fastest growing markets?
 4. What are the key trends in the domestic market?
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Europe produces over 80% of the world's sparkling wine

Sparkling wine production, 2017 (million cases)



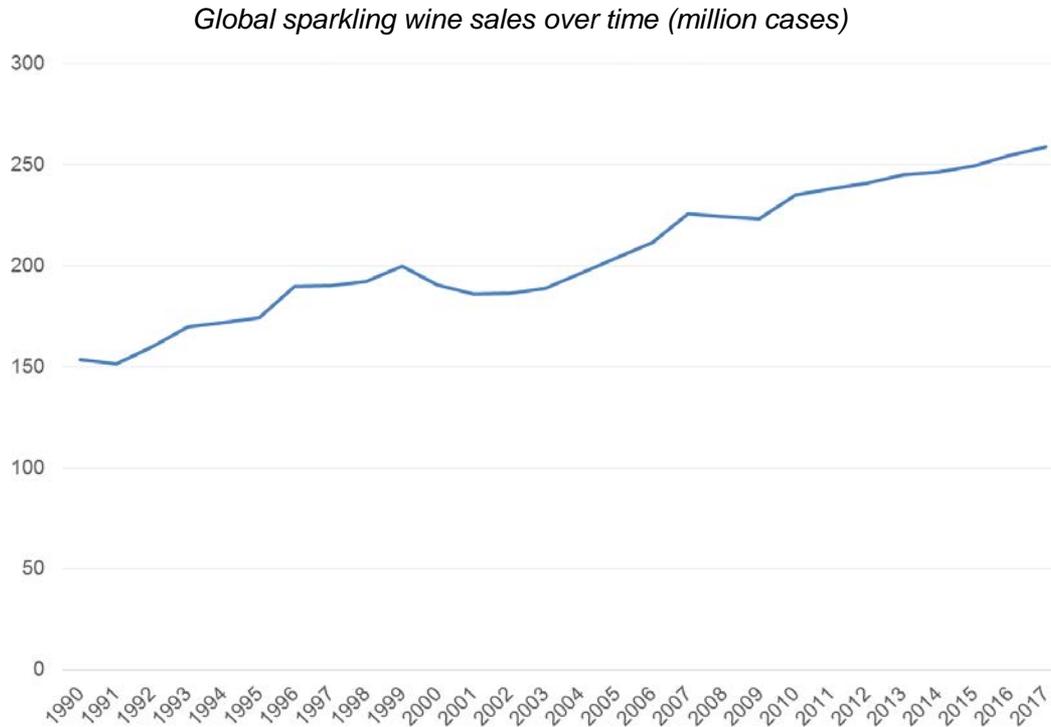
Source: Wine Australia, idealwine.info

Sparkling wine accounts for a 10% share of global wine production (270 million cases)

Europe produces over 80 per cent of the world's sparkling wine (220 million cases)

Australia is ranked 7th (7 million cases)

Long-term growth in global sparkling wine sales



Source: IWSR

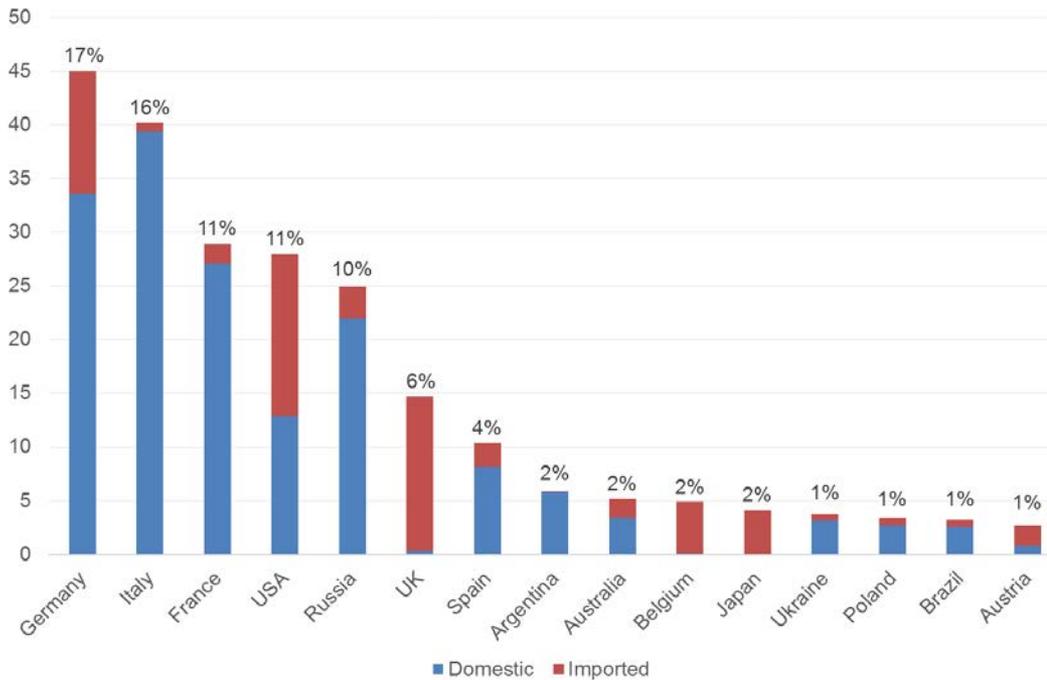
Global sparkling sales of 260 million cases in 2017

Sparkling wine has been the fastest growing wine category over the last quarter of a century

- **Sparkling up 1.9% pa**
- **Still wine up 0.4% pa**
- **Fortified down 4.8% pa**

Biggest sparkling markets dominated by domestic product

Sparkling wine sales by market, 2017 (million cases)



Source: IWSR

Germany is the biggest market but three-quarters is domestic wines

Italy and France are the next two biggest markets but 90+% is domestic wine

Russia and Spain are also dominated by domestic

USA and the UK are the two biggest imported markets

USA and UK largest and strongest growing imported sparkling markets

Top 15 imported sparkling wine markets

| Market | 2017 (million cases) | 25 year CAGR | Five year CAGR | Growth last year |
|-------------|-------------------------|-----------------|-------------------|---------------------|
| USA | 15.1 | 4.8% | 6.2% | 4.9% |
| UK | 14.4 | 4.9% | 8.2% | 4.1% |
| Germany | 11.4 | 1.7% | -1.7% | -0.3% |
| Belgium | 4.8 | 7.3% | 1.4% | -0.2% |
| Japan | 4.0 | 8.3% | 4.4% | 2.4% |
| Russia | 2.9 | -0.5% | -7.4% | 15.2% |
| Spain | 2.2 | 11.6% | -0.4% | -1.7% |
| Switzerland | 2.2 | 2.6% | 1.8% | 0.6% |
| Sweden | 1.9 | 5.3% | 11.8% | 13.0% |
| Austria | 1.8 | 5.2% | 2.1% | 3.5% |
| France | 1.8 | 7.5% | 20.2% | 16.0% |
| Australia | 1.7 | 7.5% | 5.3% | 5.5% |
| Netherlands | 1.7 | 5.1% | 0.6% | 7.7% |
| China | 1.5 | 24.5% | 17.5% | 5.3% |
| Canada | 1.4 | 3.2% | 5.7% | 9.6% |

Source: IWSR

USA and UK are not only the biggest imported sparkling markets, they also have shown the most consistent growth, driven by Italian Prosecco, over the last five years

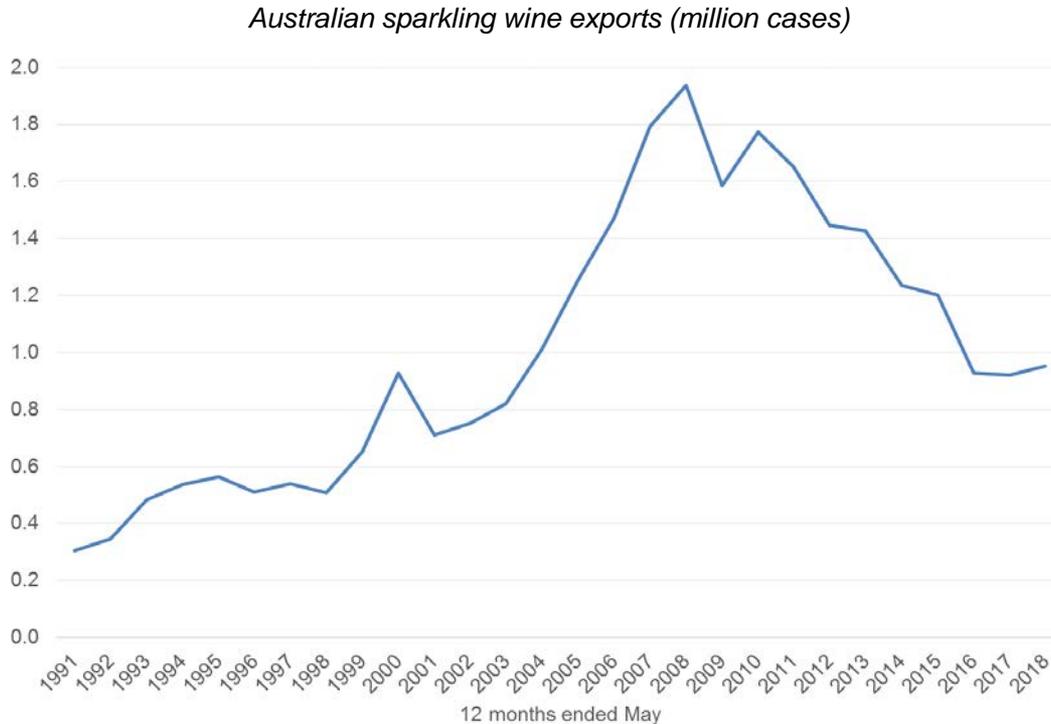
In Germany, Champagne and Prosecco are in decline while Spanish Cava is growing

Champagne is driving growth in Japan and China

Trends in Australian wine sparkling exports



Australian sparkling exports declined in the last decade



Source: Wine Australia

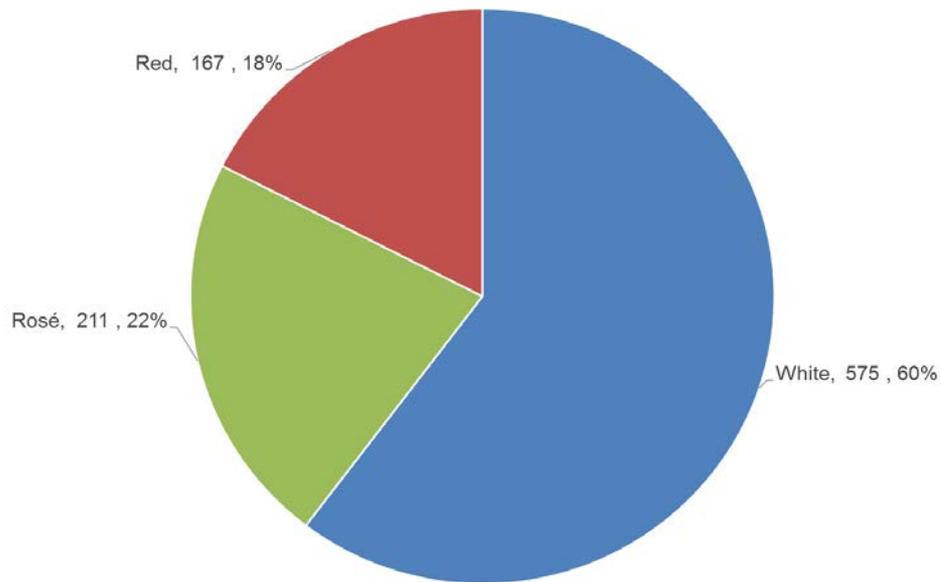
Solid growth in Australian sparkling exports through to a peak of 1.9 million cases in 2008

Steadily declined for the next decade

Some positive signs with exports up 4 per cent to 950k cases in the last 12 months

Rosé is the fastest growing sparkling export category

Australian sparkling wine exports by category (million cases)



Sparkling white is the biggest export category followed by rosé and red

All three have declined in the last decade

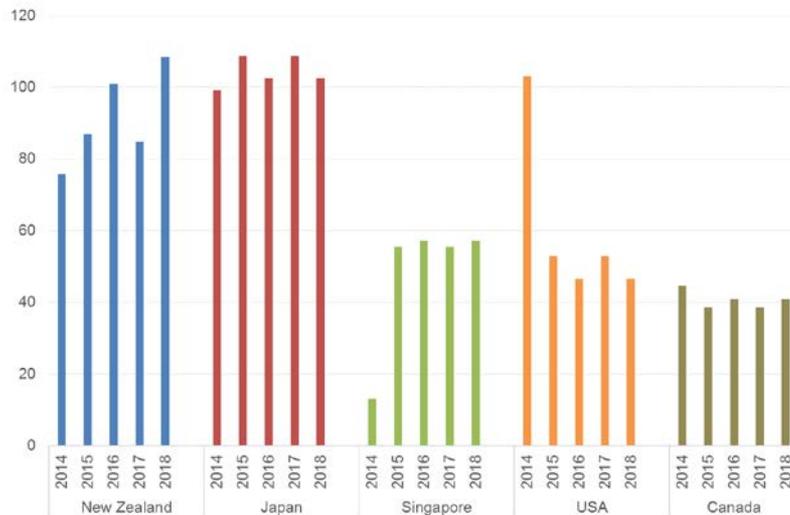
In the last 12 months:

- **White down 2 per cent**
- **Rosé up 27 per cent**
- **Red up 1 per cent**

Source: Wine Australia

NZ the stand-out for Australian sparkling white exports

Australian sparkling white wine exports (thousand cases)



| | MAT May 2018 ('000 cases) | Five year growth | Growth last year |
|-------------|---------------------------|------------------|------------------|
| New Zealand | 108 | 4% | 28% |
| Japan | 102 | 1% | -6% |
| Singapore | 57 | 34% | 3% |
| USA | 47 | -15% | -12% |
| Canada | 41 | -2% | 6% |
| Other | 219 | -16% | -11% |
| Total | 575 | -8% | -2% |

New Zealand is the biggest destination for Australian sparkling white wine exports and growing

Japan not far behind but declined in last 12 months

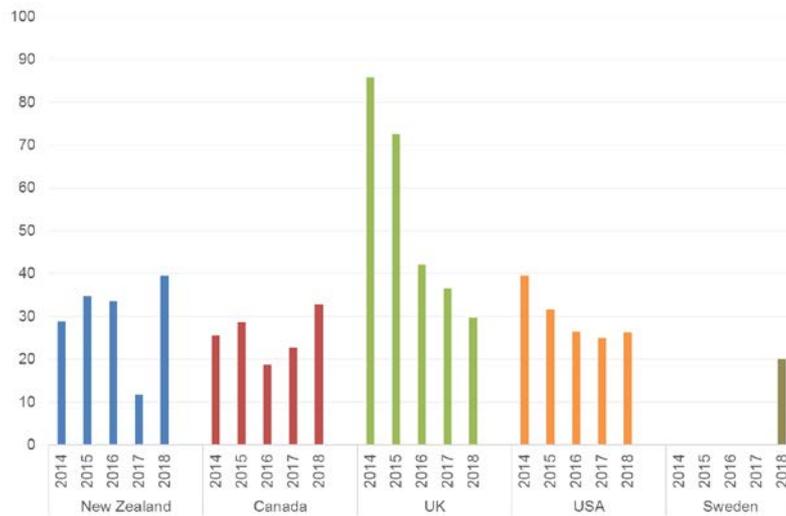
Singapore is growing but rate of growth has slowed in last 12 months

The USA continues to decline – volume has halved in last five years

Source: Wine Australia

NZ and Canada embracing Australian sparkling rosé exports

Australian sparkling rosé wine exports (thousand cases)



| | MAT 2018 ('000 cases) | Five year growth | Growth last year |
|-------------|--------------------------|---------------------|---------------------|
| New Zealand | 40 | 6% | 234% |
| Canada | 33 | 2% | 45% |
| UK | 30 | -28% | -19% |
| USA | 26 | -9% | 5% |
| Sweden | 20 | 69% | 100+% |
| Other | 62 | -16% | -12% |
| Total | 211 | -12% | 27% |

New Zealand and Canada are the two biggest markets for Australian sparkling rosé and growing

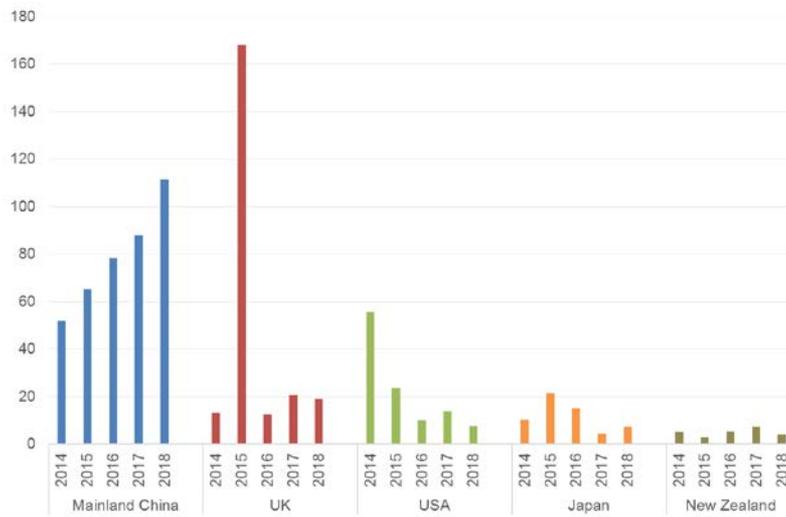
The UK and US are in decline but the USA showing signs of recovery

Sweden growing off a very small base

Source: Wine Australia

Mainland China is driving growth in sparkling red exports

Australian sparkling red wine exports (thousand cases)



| | MAT May 2018 ('000 cases) | Five year growth | Growth last year |
|----------------|---------------------------|------------------|------------------|
| Mainland China | 112 | 17% | 27% |
| UK | 19 | 0% | -8% |
| USA | 8 | -31% | -46% |
| Japan | 7 | -3% | 68% |
| New Zealand | 4 | -10% | -44% |
| Other | 17 | -8% | -44% |
| Total | 167 | 1% | 1% |

Mainland China is the biggest market for Australian sparkling red and growth has accelerated

Other markets are in decline off very small bases

Some positive signs in the last 12 months for Japan

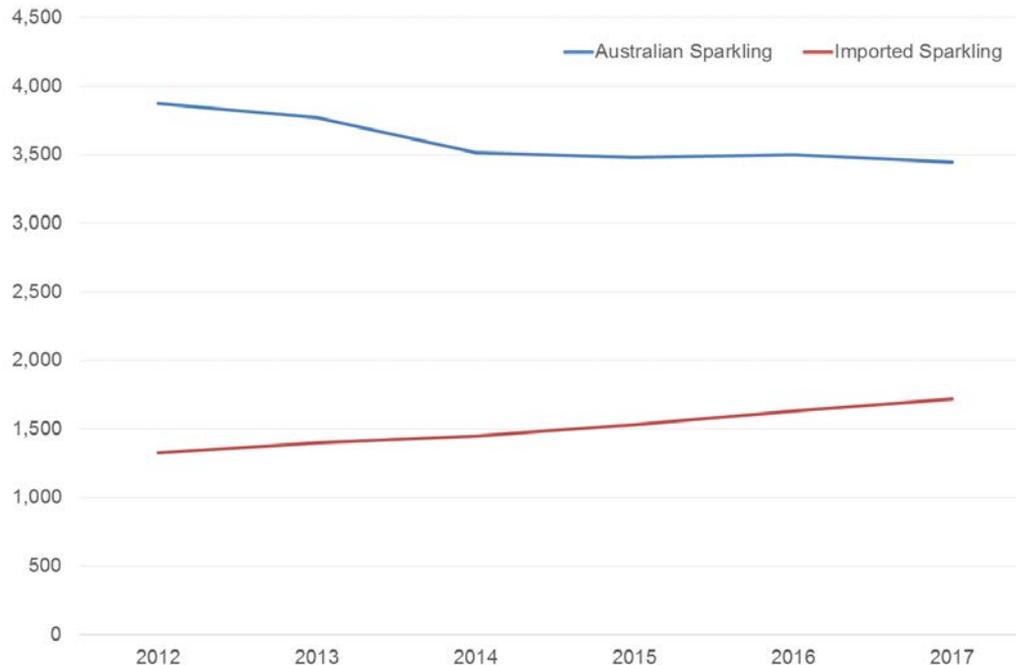
Source: Wine Australia

Trends in the domestic sparkling wine market



Australian sparkling sales are flat in the domestic market while imports are on the rise

Sparkling wine sales in the domestic market (thousand cases)



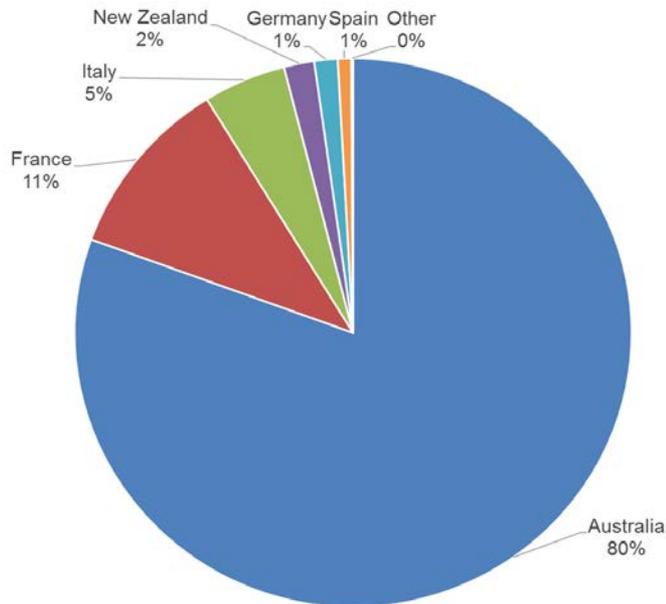
Source: IWSR

Australian sparkling sales have been relatively flat in the domestic market since 2014 (around 3.5 million cases per annum)

On the other hand, imported sparkling wines have been growing steadily (up 5% pa over the last five years)

Australia dominates the domestic off-trade sparkling wine market

Sparkling wine sales in the domestic off-trade market by country of origin



96% of sparkling sales in the domestic off-trade market are from three countries

Australian sparkling wine dominates

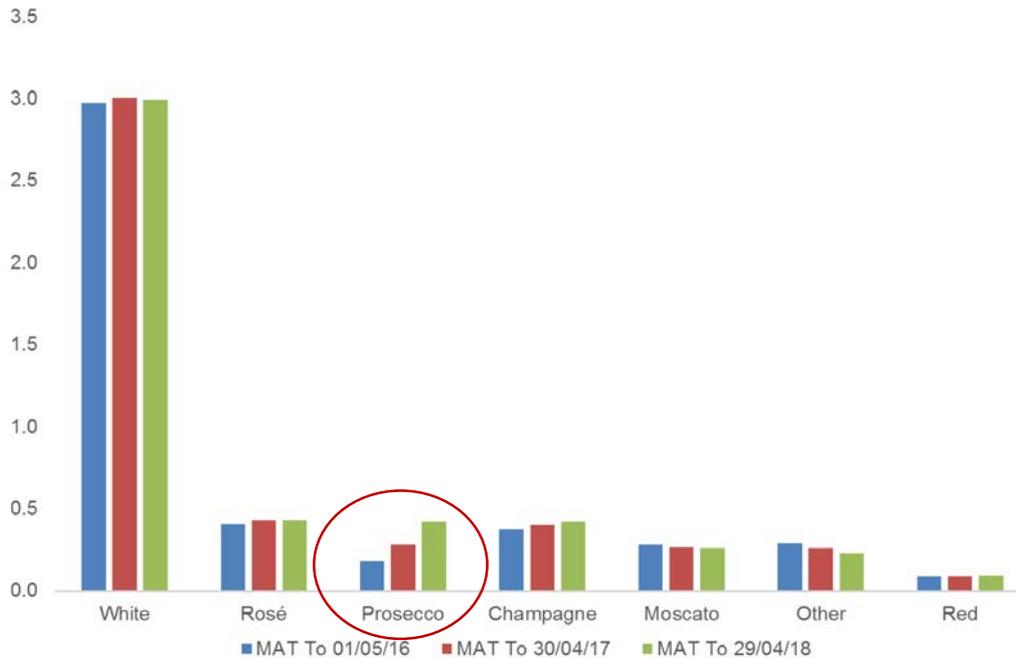
France and Italy are the biggest imported categories

The rest have quite small shares

Source: IRI MarketEdge

Prosecco the fastest growing category in the domestic off-trade market

Domestic off-trade sparkling wine sales by category (million cases)



Source: IRI MarketEdge

White sparkling is the biggest category – however sales are flat

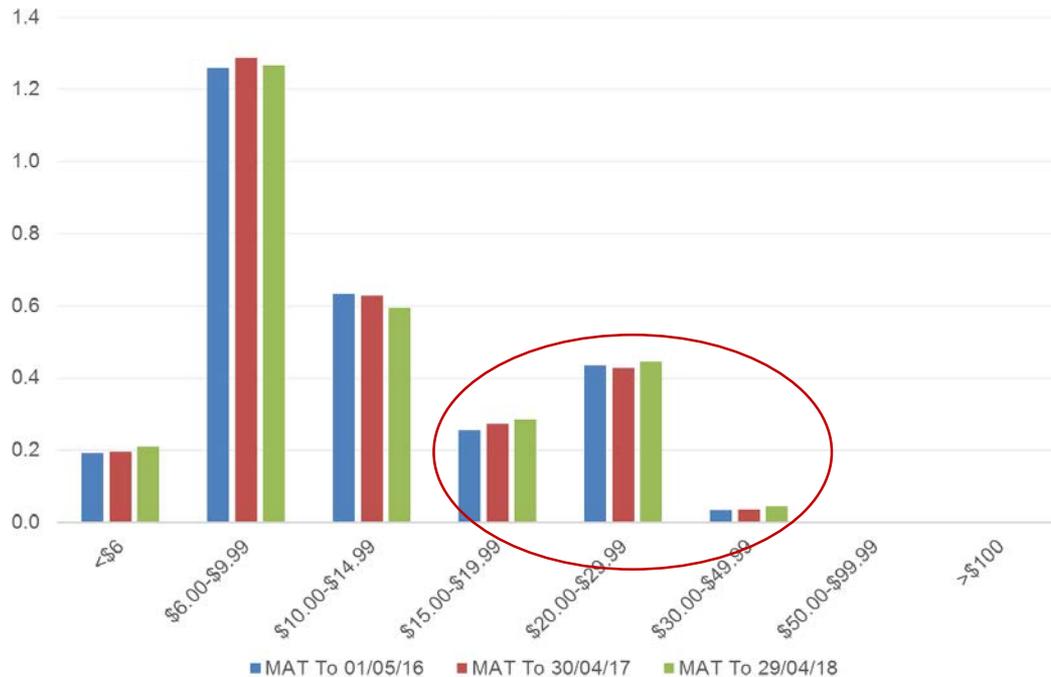
Sparkling rosé is the second largest category but sales are also flat

Prosecco rapidly growing - more than doubled in last 2 years. Australia ~ 70% share

Champagne also growing (5% pa)

Premium growth trend in sparkling white

Sparkling white wine sales in the domestic off-trade market (million cases)



Source: IRI MarketEdge

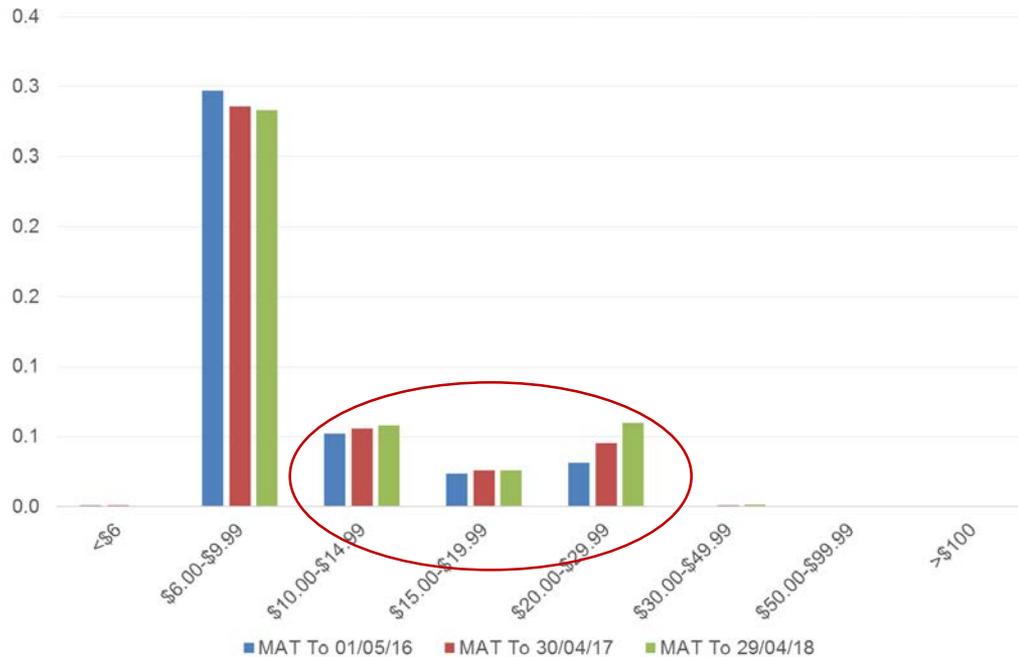
\$6.00-9.99 is by far the biggest sparkling white segment but sales in decline

Growth in sparkling white is coming between \$15-\$49.99 per bottle

Very little sold at \$50+

Consumers trading up in sparkling rosé

Sparkling rosé wine sales in the domestic off-trade market (million cases)



\$6.00-9.99 is by far the biggest sparkling rosé segment but sales in decline

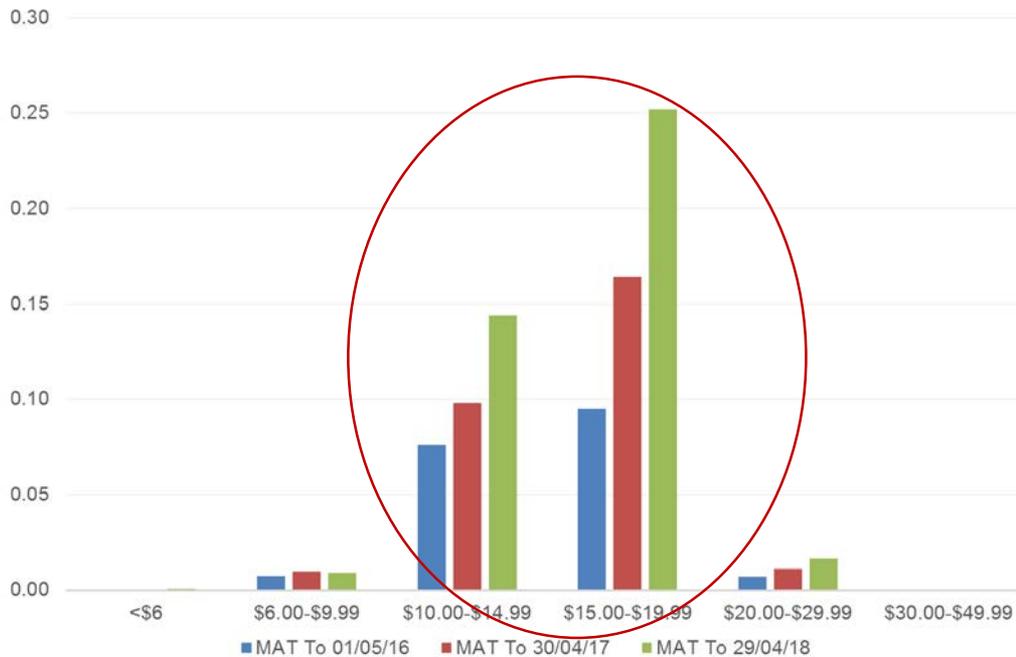
Growth in sparkling white is coming between \$10-\$29.99 per bottle

Very little sold at \$30+

Source: IRI MarketEdge

Prosecco is positioned at premium price points and growing

Prosecco wine sales in the domestic off-trade market (million cases)



94% of Prosecco sold between \$10-\$19.99

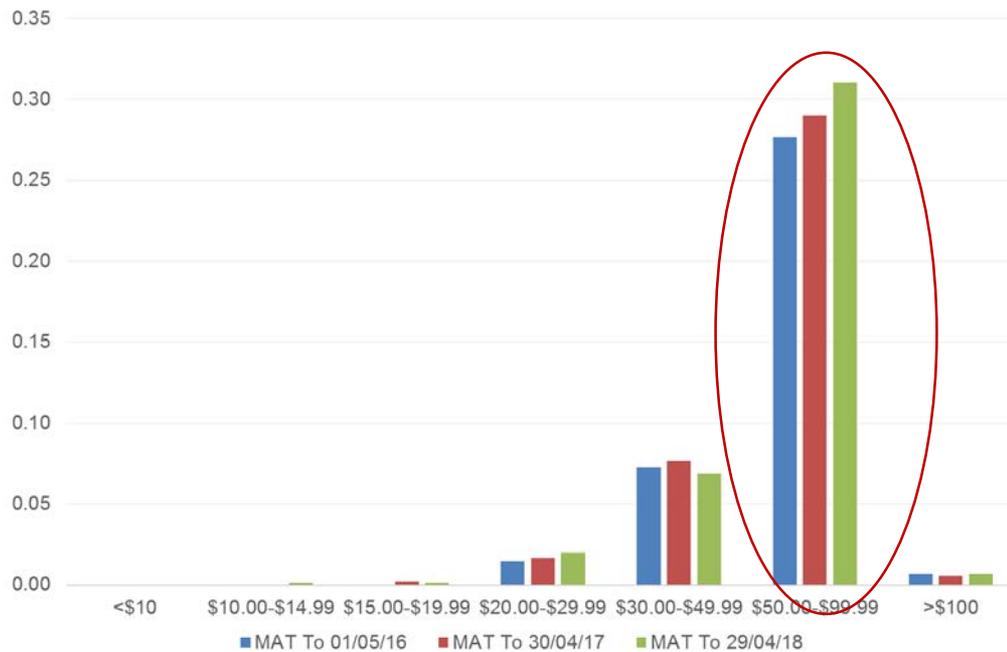
\$15-19.99 is the biggest Prosecco segment and sales have almost triple in last 2 years

There has also been strong growth at \$10-\$14.99

Source: IRI MarketEdge

Champagne sales centred at the high-end and growing

Champagne sales in the domestic off-trade market (million cases)



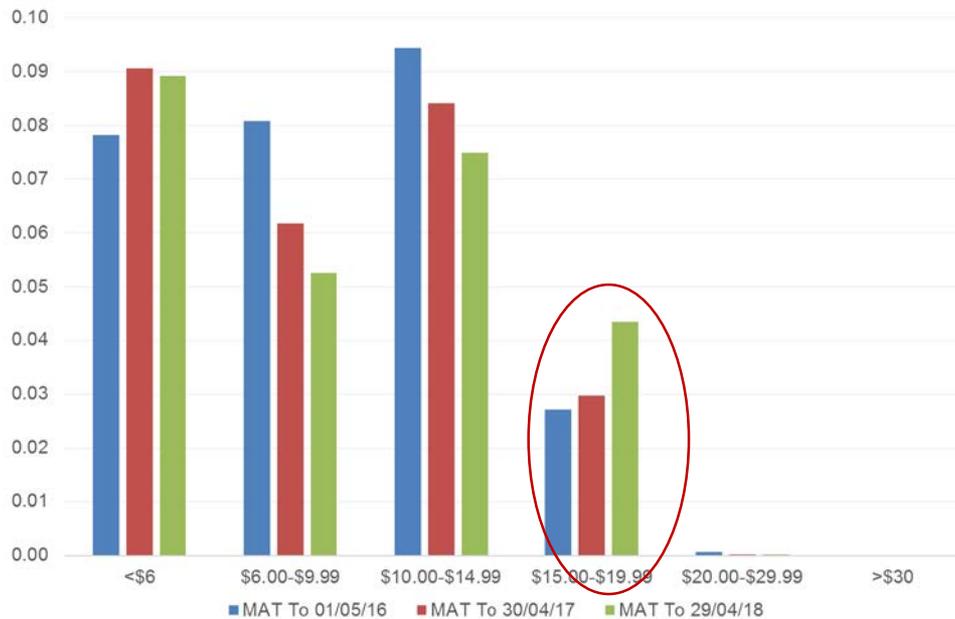
**Three-quarters of
Champagne sold at \$50-
\$49.99 and this also the
growth segment**

Sales at \$30-\$49.99 declined

Source: IRI MarketEdge

Moscato sales centred at the commercial end but growth is at premium price points

Moscato sales in the domestic off-trade market (million cases)



Over 80% of Moscato sales are at <\$15 and in decline

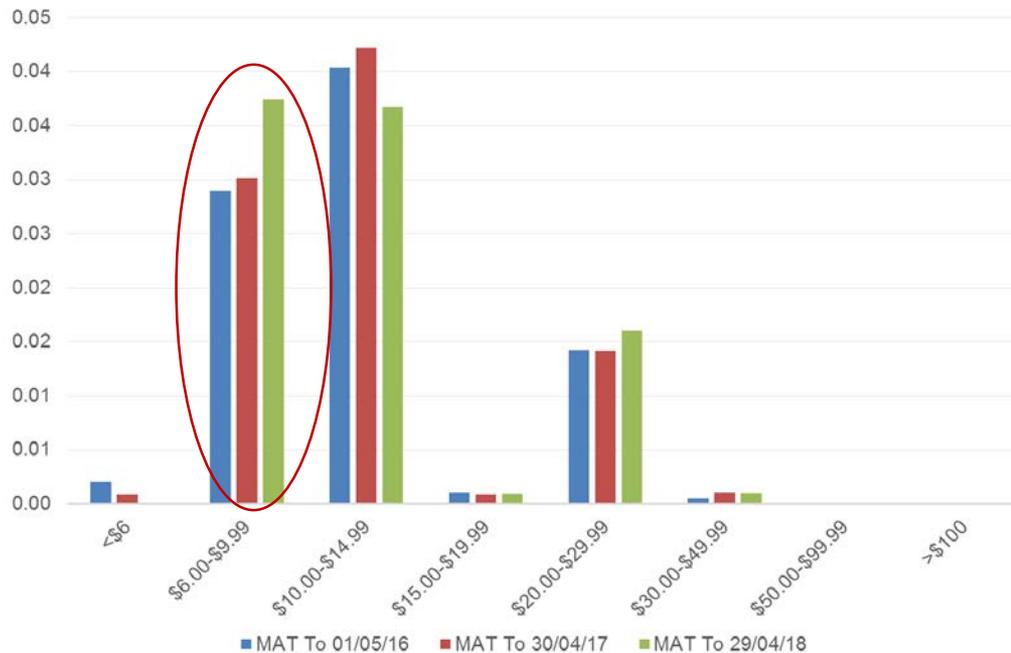
Off a small base, there is growth at \$15-\$19.99

Very little sold at \$20+

Source: IRI MarketEdge

Sparkling red growing at the commercial end of the market

Sparkling red sales in the domestic off-trade market (million cases)



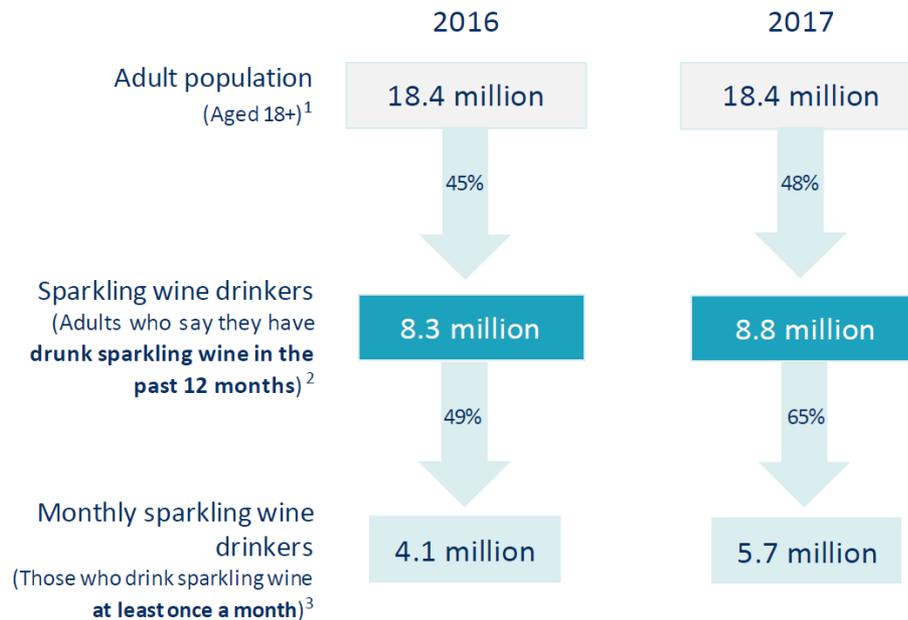
Over 80% of sparkling red sales are at \$6-\$14.99

Growth at \$6-\$9.99 but declined at \$10-\$14.99

Also growth off a very small base at \$20-\$49.99

Source: IRI MarketEdge

The number of sparkling drinkers in the domestic market is increasing



Wine Intelligence report that **48% of the adult population in Australia drink sparkling wine**

Of these, almost two-thirds drink sparkling at least once a month

Source: Wine Intelligence

Consumers are drinking sparkling wine more frequently than they were in 2013

Frequency of sparkling wine consumption- tracking

% who drink sparkling wine at the following frequency

Base = All drinkers of sparkling wine in Australia (n=>621)

| | 2013 n= 1,255 | 2016 588 | 2017 1,000 | Long-term ('13 - '17) | Short-term ('16 - '17) |
|-----------------------------|------------------|-------------|---------------|---------------------------|----------------------------|
| Most days/every day | 1% | 2% | 3% | ↑ | → |
| 2-5 times a week | 5% | 8% | 9% | ↑ | → |
| About once a week | 16% | 16% | 15% | → | → |
| 1-3 times a month | 30% | 23% | 38% | ↑ | ↑ |
| About once every two months | 23% | 22% | 13% | ↓ | ↓ |
| 1 to 3 times per year | 18% | 21% | 18% | → | → |
| Less often | 6% | 8% | 4% | ↓ | ↓ |

Source: Wine Intelligence

Most drink sparkling wine 1-3 times a month

Consumers in Australia are drinking sparkling wine more frequently

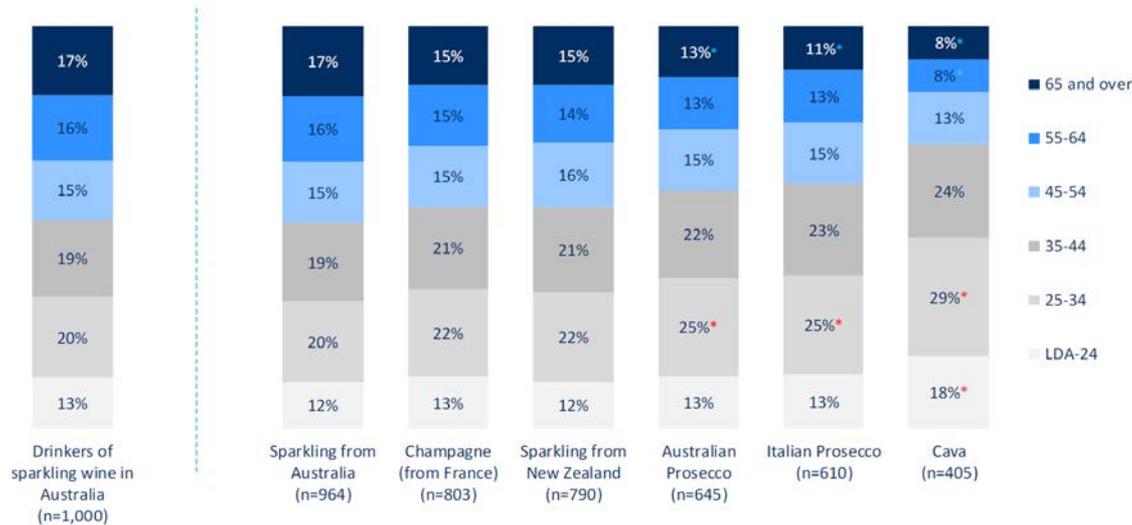
Increased share of those drinking

- **Most days/every day up from 1% to 3%**
- **2-5 times a week up from 5% to 9%**

Younger consumers favour Prosecco and Cava

Age distribution of drinkers by type of sparkling wine

Base = All drinkers of sparkling wine in Australia (n=1,000)



Overall, there is a relatively even split of sparkling wine drinkers by age group

Younger consumers tend to favour Prosecco and Cava

Those who drink sparkling at least once a month or more are more likely to drink Prosecco and Cava

Source: Wine Intelligence

Brand awareness is a more important choice cue for Australian sparkling wine than for imports

Sparkling wine choice cues

% who find the following factors the most important when buying sparkling wine in a shop to drink at home
Base = Those who drink the following sparkling wine types

| | Sparkling from Australia | Champagne (from France) | Sparkling from New Zealand | Australian Prosecco | Italian Prosecco | Cava |
|---|--------------------------|-------------------------|----------------------------|---------------------|------------------|------|
| <i>n=</i> | 964 | 803 | 790 | 645 | 610 | 405 |
| A brand I am aware of | 30% | 26% | 22% | 21% | 16% | 12% |
| Recommendation by friends or family | 14% | 13% | 16% | 15% | 14% | 14% |
| Promotional offer | 12% | 10% | 14% | 12% | 11% | 14% |
| Recommendation by shop staff or shop leaflets | 7% | 6% | 7% | 9% | 10% | 8% |
| Appeal of the bottle and/or label design | 6% | 5% | 9% | 8% | 8% | 8% |
| Whether the sparkling wine has won a medal or Recommendation by wine critic or writer | 7% | 6% | 7% | 5% | 8% | 7% |
| Whether it's suitable for gifting | 5% | 7% | 6% | 7% | 5% | 8% |
| Whether it's suitable for gifting | 5% | 9% | 4% | 6% | 6% | 5% |
| Alcohol content | 4% | 5% | 5% | 5% | 6% | 7% |
| None of these | 9% | 13% | 10% | 12% | 15% | 18% |

Brand awareness is generally the number one choice cue for sparkling wine purchases in the domestic market

Brand awareness is even more important for purchases of Australian sparkling wine

It is far less important for Cava and Italian Prosecco

Source: Wine Intelligence

Key takeaways

1. Global sparkling wine sales are growing
 2. The UK and the USA are the biggest imported sparkling wine markets and growing strongly, driven by demand for Italian Prosecco
 3. Australian sparkling wine exports have declined over the last decade but there are some positive signs driven by sparkling rosé and, to a lesser extent, sparkling red
 4. In the domestic market, Australian sparkling wine sales are flat while imports are growing
 5. Prosecco is the fastest growing category in the domestic off-trade market and there is growth in sparkling white at \$15+
 6. More people are drinking sparkling wine more frequently in the domestic market
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Thank you

