Wine Australia for Australian Wine

Global sparkling wine market trends

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Wine Australia
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?
Europe produces over 80% of the world’s sparkling wine

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)

Source: Wine Australia, idealwine.info
Long-term growth in global sparkling wine sales

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

Source: IWSR
Biggest sparkling markets dominated by domestic product

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

Source: IWSR
USA and UK largest and strongest growing imported sparkling markets

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.

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### Top 15 imported sparkling wine markets

<table>
<thead>
<tr>
<th>Market</th>
<th>2017 (million cases)</th>
<th>5 year CAGR</th>
<th>25 year CAGR</th>
<th>Growth last year</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>15.1</td>
<td>4.8%</td>
<td>6.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>UK</td>
<td>14.4</td>
<td>4.9%</td>
<td>8.2%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Germany</td>
<td>11.4</td>
<td>1.7%</td>
<td>-1.7%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Belgium</td>
<td>4.8</td>
<td>7.3%</td>
<td>1.4%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>4.0</td>
<td>8.3%</td>
<td>4.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Russia</td>
<td>2.9</td>
<td>-0.5%</td>
<td>-7.4%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Spain</td>
<td>2.2</td>
<td>11.6%</td>
<td>-0.4%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2.2</td>
<td>2.6%</td>
<td>1.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.9</td>
<td>5.3%</td>
<td>11.8%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Austria</td>
<td>1.8</td>
<td>5.2%</td>
<td>2.1%</td>
<td>3.5%</td>
</tr>
<tr>
<td>France</td>
<td>1.8</td>
<td>7.5%</td>
<td>20.2%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Australia</td>
<td>1.7</td>
<td>7.5%</td>
<td>5.3%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.7</td>
<td>5.1%</td>
<td>0.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>China</td>
<td>1.5</td>
<td>24.5%</td>
<td>17.5%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Canada</td>
<td>1.4</td>
<td>3.2%</td>
<td>5.7%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Source: IWSR
Trends in Australian wine sparkling exports
Australian sparkling exports declined in the last decade

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

Source: Wine Australia
Rosé is the fastest growing sparkling export category

Australian sparkling wine exports by category (million cases)

- White, 575, 60%
- Rosé, 211, 22%
- Red, 167, 18%

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

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
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
Mainland China is driving growth in sparkling red exports

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.

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).

Source: IWSR
Australia dominates the domestic off-trade sparkling wine market

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

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)

Source: IRI MarketEdge
Premium growth trend in sparkling white

$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+

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

Source: IRI MarketEdge
Consumers trading up in sparkling rosé

$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

94% of Prosecco sold between $10-$19.99

$15-19.99 is the biggest Prosecco segment and sales have almost tripled 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

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

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

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

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%

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>% who drink sparkling wine at the following frequency</td>
<td>n=1,255</td>
<td>588</td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most days/every day</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>↑</td>
<td>↑</td>
</tr>
<tr>
<td>2-5 times a week</td>
<td>5%</td>
<td>8%</td>
<td>9%</td>
<td>↑</td>
<td>↑</td>
</tr>
<tr>
<td>About once a week</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-3 times a month</td>
<td>30%</td>
<td>23%</td>
<td>38%</td>
<td>↑</td>
<td>↑</td>
</tr>
<tr>
<td>About once every two months</td>
<td>23%</td>
<td>22%</td>
<td>13%</td>
<td>↓</td>
<td>↓</td>
</tr>
<tr>
<td>1 to 3 times per year</td>
<td>18%</td>
<td>21%</td>
<td>18%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less often</td>
<td>6%</td>
<td>8%</td>
<td>4%</td>
<td>↓</td>
<td>↓</td>
</tr>
</tbody>
</table>

Source: Wine Intelligence
Younger consumers favour Prosecco and Cava

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

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

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
Thank you