

Exporting Wine to the UK

The wine market in the United Kingdom is very open to wine imports, as domestic production is insignificant compared to demand. The domestic wine market in the United Kingdom is characterised by a strong position in private labels, pushing weaker brands out of the market. Developing-country exporters can profit from private labels by supplying bulk wine for these private labels, particularly when they do not have their own brand. Sparkling wines are becoming increasingly popular at the expense of still wines.

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1. Product Description

Wine is defined as: 'The product obtained exclusively from the total or partial alcoholic fermentation of fresh grapes, whether or not crushed'.

There are generally two categories of wines: regular (or table) wines and premium wines. Regular wine is distinct from premium wine in both quality and price. As high quality is subject to interpretation, the price point is a more suitable indicator to define whether a wine is considered a premium wine or not. In the United Kingdom, wine is regarded as premium when the retail price exceeds €12.60 (£10.00) and 'everyday-premium' if the price lies between €8.85 and €12.60 (£7-£10). Below these prices, wine is considered to be regular wine.

Table 1: HS codes of wine

Type of wine	HS Code
Sparkling wine	220410
Wine in containers < 2 litres	220421
Wine in containers > 2 litres	220429

Product Specification

Quality preferences

The quality of a wine greatly depends on inputs used and actions taken by the wine producer during the production process.

Grape variety

Consumers in the United Kingdom mostly prefer white wines from international grape varieties: Chardonnay, Sauvignon Blanc and Pinot Grigio. Red wine consumers prefer Merlot, Cabernet-Sauvignon and Shiraz. However,

British consumers are also open to wines from indigenous grapes; varieties that are cultivated only in a particular area and have existed there for a long time.

Colour

Red wines are fermented in contact with the skins of dark grapes, which give colour to the wine. White wines are fermented without grape skins or fermented with white and green-skinned grape varieties. Rosé gets its pink colour by either a short contact time with the skins of dark-coloured grapes before fermentation or by mixing finished red wine with finished white wine.

Still or sparkling

Exact specifications of sparkling wine and quality sparkling wine are laid down in European legislation. The differences are related to the fermentation process, Actual Alcoholic Strength (AAS), and pressure.

Taste intensity

Taste intensity can be influenced by many factors, including leaf/grape ratio on vines, irrigation and yeast selection. Consumers in the United Kingdom are increasingly seeking more intense, experimental, and multi-layered tastes.

Sugars/acids balance

A major aspect of the art of winemaking is to find a balance between sugars and acids. Bulk wine generally has a higher sugars/acids ratio, as most consumers who purchase this type of wine prefer a sweet taste. In contrast, most connoisseurs looking for premium wine prefer dry wine with a low sugars/acids ratio.

Alcohol content

Non-fortified still wines and sparkling wines can have an alcohol content between 6-15%. Many consumers consider wines strong when the alcohol percentage exceeds 13%.

Tannins

Most consumers prefer soft tannins. The use of soft presses reduces seed damage and subsequent amounts of sharp tannins in the juice. The appropriate amount of tannins (natural minerals in the skin of black grapes) in wine depends on the style of the wine. Tannin content can be influenced during processing.

Off-tastes

Unripe and overripe grapes and contaminants can cause off-tastes in wine. Minimise off-tastes by: harvesting at the right time, sorting grapes during harvesting, proper handling of the grapes, and minimising time between harvesting and processing. If off-tastes cannot be prevented, clay or coal may be added to grape juice to remove the off-tastes.

Labelling

The European Union has set [compulsory labelling particulars](#) for wine:

- The name of the Protected Denomination of Origin (PDO)/ Protected Geographical Indication (PGI) or Wine of 'producing country'/Produced in 'producing country'/Product of 'producing country'
- Actual Alcoholic Strength (AAS)
- Nominal volume
- Lot number
- Importer details
- Allergenic ingredients:

- All wines containing over 10 milligrams of sulphite per litre must be labelled with the indication “Contains sulphites”. This information is crucial for individuals who are sensitive to sulphites and experience problems such as shortness of breath, coughing and wheezing. If your wine contains only a few mg or no sulphites, you can mention this on the label to serve these consumers.
- Egg and milk derivatives must also be mentioned on the label.
- Allergens must be mentioned in the language of the target market.
- Sugar content (for sparkling wines).

Tips:

Legislation does not require the exact composition of a blend to be on the label. However, growing interest of consumers in the composition of a wine increases the need to include such information on the label.

If you target educated consumers, it is worth mentioning the grape variety and vintage. This can have a positive effect on consumer perception of your product’s quality.

The use of the term ‘Reserve’ or even ‘Grand Reserve’ can help to convince consumers of the high quality of your wine. Ensure compliance with the wine law in your country concerning the use of such terms.

The [Food Standards Agency of the United Kingdom](#) provides useful guidance on more detailed labelling requirements.

Packaging

Bottled and boxed wine

- The selection of the type of stopper should depend on the requirements of the buyer. In the United Kingdom, the screw cap (e.g. Stelvin) accounts for 40-50% of the supermarkets’ wine sales. While screw caps are also increasingly used by premium wine producers, traditional corks remain most common in the premium market.
- While demand in the United Kingdom for single-serving packaging is growing, this is only applicable to the entry-level segments and lower-quality wines. In the premium market, this type of packaging is not used.
- Bag-In-Box (BiB) accounted for 5% by value of total wine sales in the United Kingdom in 2014 and is becoming more common in the premium segment in the United Kingdom. Smaller-sized BiBs, such as 1.5 litres, are particularly suitable for this segment.
- Bottles for sparkling wines need to be strong enough to withstand the pressure resulting from the high CO₂ level. Although there are no legally binding requirements, the International Technical Centre for Bottling and Related Packaging (CETIE) has published standards that are internationally recognised.

Tip:

Create an account on the website of CETIE to gain access to the [data sheet on internationally recognised bottling standards](#) (DT 11: “Bottling specifications for carbonated beverages CO₂>2g”).

Bulk wine

- Packaging-related quality problems with bulk wine hampered development of bulk wine trade for a long time. Recent improvements in storage technology, handling facilities and quality protocols have contributed

to better-quality preservation. These developments have caused an explosive growth in the trade of bulk wines, especially among international brands. Please refer to our study on [bulk wine in Europe](#) for more information.

- Different types of packaging are available for the transport of bulk wine. The two most common are:
 - Flexi-tanks are disposable plastic bags intended for installation in a standard 20ft shipping container.
 - ISO tanks are reusable steel tanks, which need to be cleaned between shipments. ISO tanks offer all the advantages of flexi-tanks, but are more polluting and expensive in transport due to higher weight. One advantage of an ISO tank is its reliability; they have a lower risk of defects compared to flexi-tanks.
- Defective seals or the use of permeable material can permit oxidation, which will degrade the wine. This can result in negative taste alterations and a shorter shelf life.
- A relatively small but increasing amount of premium wine is being transported to the United Kingdom in bulk.

2. What makes the United Kingdom an interesting market for wine?

British wine production is growing

Although wine production in the United Kingdom continues to grow, production levels remain insignificant compared to consumption. In 2014, production amounted to 33,000 hectolitre (hl), showing a 2.4% average annual increase between 2011 and 2014. As domestic wine production is very low and focused on sparkling wine, the wine market in the United Kingdom is very open to wine imports.

The vineyard area in the United Kingdom has more than doubled in the last ten years, and is set to grow by an additional 50% by 2020. The majority of the vineyard area is used for sparkling wine production (66% of the total area). The top three grape varieties planted in the United Kingdom are *Chardonnay*, *Pinot Noir* and *Bacchus*.

Wine consumption under pressure in the United Kingdom

The United Kingdom remains the fourth-largest wine consumer in Europe, mainly due to its large population. Wine consumption in the United Kingdom amounted to 12.5 million hl in 2014, despite an average annual decrease of 0.8% between 2011 and 2014.

White wine is favoured slightly over red wine consumption. However, sparkling wine is becoming increasingly popular. In 2014, sparkling wine consumption increased by 11.5%. Especially consumption of Italian Prosecco and Spanish Cava grew rapidly as they are perceived to be better value for money than Champagne.

Per capita wine consumption in the United Kingdom slightly decreased from 20.4 litre in 2011 to 19.4 litre in 2014. This is well below the European average per capita wine consumption of 23.9 litre in 2015. Higher excise duties, along with changing lifestyles and demographics are the main drivers of declining wine consumption. Additionally, a long-term trend is that consumers are opting for quality over quantity. Due to these factors, wine consumption in the United Kingdom is expected to decline further in the future.

Tips:

The British wine market is a relatively large and open market where developing country producers are more welcome than in other European countries. Stay up-to-date on the latest trends and developments in this market to benefit from this.

For more information please refer to our study on [European trade statistics](#) for wine.

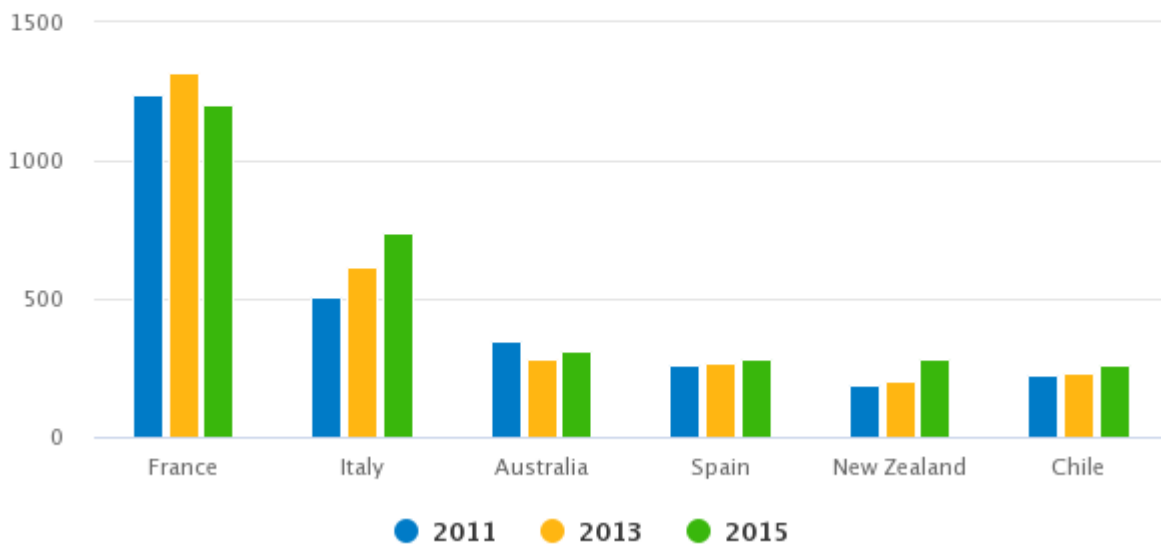
Largest wine importer in the European Union

The United Kingdom is the largest wine importer of the European Union with imports amounting to €3.8 billion and showing an average annual increase of 3.2% between 2011 and 2015. Since the United Kingdom lacks significant domestic wine production, domestic consumption consists mainly of imported wines.

The largest wine suppliers to the British market are France and Italy, accounting for €1.9 billion (51.1% of total imports) in 2015. Wine imports from developing countries amounted to €488 million (12.9% of total imports) in 2015, showing an average annual increase of 6.5%. This makes the United Kingdom the largest importer of developing-country wine in Europe. Chile is the largest developing country supplying the British wine market, followed by South Africa and Argentina. They account for respectively 6.9%, 3.6% and 2.2% of total imports.

Figure 1: Leading six suppliers to the British wine market between 2011 and 2015

In € million



Source: Eurostat, 2016

Tips:

Do not attempt to compete with Southern European countries as this will be too difficult.

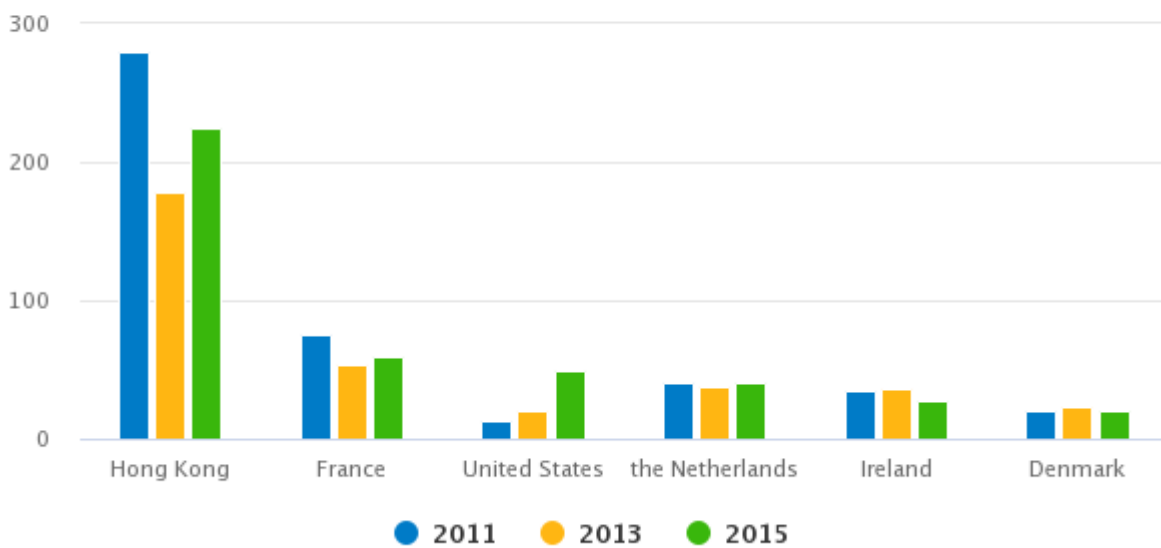
Develop a Unique Selling Point (USP) around your (authentic or native) grape variety, sustainability, production process etc. to market your wine in the relatively open British wine market.

Significant re-exporter of wine

The United Kingdom is the fifth-largest wine exporter in the European Union with exports amounting to €582 million, showing on average a slight annual decrease of 0.7% between 2011 and 2015. Due to little domestic wine production, exports consist mostly of re-exports. The largest export market for the United Kingdom is Hong Kong, followed by the United States and other European countries.

Figure 2: Leading six export destinations for wine from the United Kingdom between 2011 and 2015

In € million



Source: Eurostat, 2016

Tips:

The United Kingdom may be used as a hub to market your wines in Asia, the United States and other European countries. Some British supermarkets, such as TESCO, are also active in other European countries (e.g. Poland, Romania and Slovakia). If you sell to these British retailers, this will also allow you to enter the other European markets.

For more information about the wine market in the United Kingdom in relation to the European wine market, please refer to our study on [European trade statistics for wine](#).

3. What trends offer opportunities on the wine market of the United Kingdom?

Increasing importance of private labels

Branding is very important in the United Kingdom. Especially in the large retail chains, strong growth of private labels has pushed weaker brands out of the market. These private labels are not only found in the low-end segment but also in the premium segment. All British supermarkets have their own basic AND premium labels. For example, the retail chain Tesco has a premium private label range under the name [Tesco Finest](#).

Branding is a particularly interesting opportunity for exporters with an attractive story to tell, which distinguishes their product from the competition. In other countries private labels are usually limited to entry level wines, but in the United Kingdom it is also relevant for premium wines. British supermarkets usually have their own winemakers who will travel to markets to oversee the winemaking for their supermarket.

Tips:

Build your brand around your product's Unique Selling Point (USP), as a strong brand can help your

product to stand out from the crowd

If you have reliable and large quantities, establish a partnership with a buyer to develop a wine under their brand.

Keep in mind that some retail chains demand exclusivity agreements if you supply branded wine, which increases your dependence on them.

Sparkling wines in fashion

Between 2010 and 2014, sparkling wine achieved huge growth with volume sales increasing by 33.5%, with Prosecco being the main driver as it is considered to be better value for money. The prospects of sparkling wine consumption in the United Kingdom are very positive too, with an expected increase of 13.2% between 2015 and 2019. This trend is not driven by a particular brand.

The growth of sparkling wines has been at the expense of still wines, including other easy-drinking wines such as rosé. Nevertheless, rosé wine has held up quite well, accounting for about 10% of still wine sales.

In the long term, many of the young consumers that currently account for much of the demand for easy-drinking wines are expected to switch again to other drinks. However, much depends on the success of marketing efforts by the British wine industry.

The future of wine depends on the type of wine. Sparkling wines are expected to continue to do well. However, still red and white wine sales will most likely continue to fall as people cut down on their alcohol consumption, which will also likely negatively impact fortified wine and vermouth.

Tip:

Monitor the success of the [marketing efforts by the British wine industry](#) to anticipate fashion trends.

Innovative packaging

In the last decade, a shift is taking place in the packaging of wine. Aluminium cans, PET bottles and to a lesser extent Tetrapak are slowly becoming accepted forms of packaging in the British wine market. These packaging varieties are completely recyclable, they are lighter than glass and do not break if dropped. Additionally, they are more environment friendly. The transport-related costs and CO₂ emissions are lower compared to glass packaging, mainly because they are lighter and take up less volume.

However, demand for these forms of packaging is still driven by market segments with specific requirements. For example, aluminium cans are only used for wines that compete with pre-mixed drinks, which are mostly sold to very young consumers who start drinking alcohol. PET bottles are only used by caterers for large events, such as concerts.

Tips:

Whether you supply bottled or bulk wine, use as much recyclable material as possible.

If you supply bottled wine, consider different ways to reduce the weight of your packaging.

For more information about packaging trends, please refer to our study on [trends on the European wine market](#).

Sustainable supplies

Despite increased demand for sustainability in the United Kingdom, demand for organic wine remains small. And although the United Kingdom is Europe's leading Fairtrade market, consumer awareness about Fairtrade wine remains low. Therefore, developing country producers must be aware that certification can be an expensive process and the return on investment might not be high under current market conditions.

Tips:

Ensure fair labour conditions and care for the environment through codes of conduct, certification or other measures (e.g. [ISO14000 environmental management system](#)). If you are a Business Support Organisation, lobby with the government to take measures to secure the country's reputation in wine quality.

Although Corporate Social Responsibility (CSR) does not open markets, a lack of CSR can close you off from certain buyers.

For more information about sustainability trends, please read our study on [sustainable wines in Europe](#).

Discouragement of alcohol consumption

The United Kingdom is one of the few European countries that discourages alcohol consumption through progressive taxation of consumption. This means that wines and wine-based drinks with a lower alcohol percentage are less strongly taxed. The taxation consists of Value Added Tax (20%) and an excise duty.

The excise duty for wine and wine-based drinks with an alcohol percentage between 1.2-4% is €103.13 per hl and between 4-5.5% €141.82 per hl. The excise duty for still wine with an alcohol percentage of 5.5-15% is €335.28 per hl. Sparkling wine-based drinks with an alcohol percentage between 5.5-8.5% are subject to a rate of €324.06 per hl. Excise duties on sparkling wine-based drinks with an alcohol percentage of 8.5-15% are €427.81.

Tips:

If the alcohol percentage of your wine slightly exceeds the limit of an excise category, lower the alcohol content to benefit from a lower excise duty.

Show your concerns over excessive alcohol consumption to dissociate your company from problems related to that matter.

Consequences of the Brexit

The Brexit from the European Union could have a large impact on the wine market in the United Kingdom in the

medium-to-long term. As wine is predominantly imported, not only from Europe but also from new world countries, issues and uncertainties may arise over import taxes.

Tips:

Keep yourself informed on (trade) news concerning the Brexit. Although there will not be immediate consequences for the wine market, it might have an impact in the medium-to-long term.

For more information about wine trends, please read our study on [trends on the European wine market](#).

4. What requirements should wine comply with to be allowed on the British market?

What legal and non-legal requirements must my product comply with?

[Buyer requirements for wine](#) can be divided into legal and non-legal requirements, both of which your product must comply with if you want to sell in Europe. These include:

- Compliance with [European Oenological practices](#). To prove compliance with allowed oenological practices, all wine imported to Europe needs to be accompanied by a certificate and analysis report for wine.
- [Labelling and presentation](#): there are strict rules on which information should be shown on the label and how this information has to be presented.
- Food Safety: traceability, hygiene and control. Read more about [health control](#) on the EU Export Helpdesk. Search in the [European Union's Rapid Alert System for Food and Feed \(RASFF\) database](#) for wine to see examples of withdrawals.
- Avoid Ochratoxin A and lead contamination. Check the European Commission's [factsheet on food contaminants](#). Read more about [contaminants on the EU Export Helpdesk](#). Find out more about prevention and reduction of [Ochratoxin A](#) and [lead contamination](#) in wine in the Codes of Practice published by the Codex Alimentarius.
- For a full list of requirements, please consult the [EU Export Helpdesk](#) where you can select your specific product code under chapter 2204. Note that there is also non-product-specific legislation on [packaging](#) and [liability](#) that apply to all goods marketed in Europe.

Tips:

Check whether your current practices comply with the European requirements for winemaking.

Ensure compliance with European legislation on Hygiene of foodstuffs ([HACCP](#)).

What additional requirements do buyers often have?

In addition to the legally binding requirements, you also have to comply with the following non-legal requirements in order to be able to find a buyer:

- [Food safety certification](#): many importers of wine require the implementation of a food safety management system. Examples of internationally acknowledged systems are [HACCP](#), [BRC](#), [IFS](#), [FSSC 22000](#) and [SQF](#).
- [Corporate social responsibility](#): Several larger retailers participate in initiatives such as the [Ethical Trading Initiative](#) (ETI), or the [Business Social Compliance Initiative](#) (BSCI). These initiatives focus on improving social

conditions in their members' supply chains. This implies that you, as a supplier, are also required to act in compliance with their principles.

- Buyers generally prefer low sulphite levels (e.g. < 100 mg/l for white wine). However, sulphite is a preservative and lower sulphite levels may lead to off-tastes and reduced shelf life.

Tip:

Suppliers can apply a basic [HACCP](#) system. However, many buyers appreciate certified food safety management systems recognised by the Global Food Safety Initiative, such as ISO22000, BRC or [IFS: Food Safety Management Systems](#).

What are the requirements for niche markets?

In addition to the requirements you have to comply with to be allowed on the European market or to find a buyer, complying with the following additional requirements could offer you a competitive advantage and makes finding a buyer easier.

- [Fairtrade certification](#): a niche market is the market for wine produced with extra focus on the social conditions in the producing areas. Having your wine [Fairtrade](#) certified is the most far-reaching way to prove your business performance for social conditions in your supply chain.
- [Organic niche market](#): to market organic wine in the European Union, grapes must be grown using organic production methods which are laid down in [European legislation](#) and the grapes and the wine production facilities must be audited by an accredited certifier before you may put the European organic logo on your products, as well as the logo of the standard holder (e.g. [Soil Association](#) in the United Kingdom).

Tip:

Consult the [Standards Map database](#) for the different labels and standards relevant for wine.

5. What competition do you face on the wine market of the United Kingdom?

What are the opportunities and barriers when I try to enter the British market?

Easy entrance on the wine market in the United Kingdom

The wine market in the United Kingdom is an important stepping stone for entry to other European markets. British consumers are open to new tastes and influences. Retailers in the United Kingdom do not make it very difficult for new origins to become visible, as is the case in some other European countries. For example, in Germany supermarkets charge high listing fees which suppliers need to pay to obtain shelf space.

Moreover, on supermarket shelves British retailers often do not sort wine per country but per drinking moment and taste. New entrants benefit from this as most consumers have a tendency to purchase from known origins when prices are equal.

Tips:

Use the wine market in the United Kingdom as a stepping stone if you wish to penetrate the European

market.

Hire a wine maker for advice on making the best possible wine with the available raw materials and technology which matches with requirements in European markets.

If you are a small producer and want to export, start by contacting your wine association for advice.

Little buyer's dependence

The wide variety of wines available on the wine market in the United Kingdom complicates product distinction. Despite increased branding by wine producers, buyer's dependence is low in the British wine market. This creates the need to first develop a strong brand, for example in your own regional market, before entering the wine market in the United Kingdom. Your knowledge of regional markets will prove to be a major advantage and the lessons learned will help to gain a competitive edge over other European market entrants.

Tips:

Use branding and your reputation to increase your buyer's dependence on you and ensure stable sales to regular buyers.

Use as many product and production characteristics (e.g. alcohol content and origin) as possible to create a unique brand.

Develop your own regional market to gain a reputation, use lessons learned to gain a competitive advantage over other European market entrants and build a brand.

Small companies with a supply capacity of 10,000 to 30,000 bottles annually of each wine can find smaller importers in Europe who prefer to buy exclusive wines for which they are the only importer and distributor. Exclusivity motivates importers to work with you.

What are substitute products?

Small threat of substitution by other alcoholic drinks

The total value of wine sales in the United Kingdom has grown steadily since 2008. In a 2014 poll, six in ten people in the United Kingdom chose wine as their 'drink of choice' (Telegraph 2015). In the short term, wine will remain a fashionable drink. The British government is continuing its measures to reduce alcohol consumption, which may also cause a shift to wine with a relatively low alcohol content. In that sense, the increasing popularity of aromatic wine drinks or wine cocktails might be supported by government policies.

Tips:

Promotion of wine, as a better alternative to other alcoholic drinks, is not feasible for individual companies. Focus your promotion on unique selling points compared to other wines.

Produce wine with a low alcohol percentage to anticipate consequences of government policies.

How much power do I have as a supplier when negotiating with buyers?

Large retail chains dictate the market

Buyer power remains the driving force of the competitive landscape. Particularly large supermarkets are very strong buyers. The power of buyers is affected by changes in global wine production. In previous years, the power of buyers decreased somewhat due to reduced availability of wine for the low-end segment. Global wine production in 2013 rose sharply and the position of buyers improved, but lower production in 2014-2015 in some countries has again increased demand for bulk wine, strengthening the position of suppliers.

Blending for private label

Supplies of bulk wine for private labels are particularly vulnerable to substitution. Retailers in the United Kingdom often blend different wines for their private label. This allows them to switch between suppliers and decreases their dependence on particular sources. The substitution offers opportunities for exporters in developing countries who still need to enter the market. At the same time, it forms a threat to existing suppliers of these bulk wines for private labels.

Tips:

If you supply bulk wine for blends, show that you are able to live up to expectations of quality consistency and volume.

If you supply bulk wine for blends, spread your risks by supplying multiple buyers in different countries.

Even when you supply the supermarket directly, keep a bonded stock in the United Kingdom to guarantee continuous supply.

Medium switching costs

Retailers have a relatively low tendency to switch suppliers as it involves considerable switching costs. However, retailers do have limits to their loyalty and switch if the price of the wine is significantly higher than introducing a new wine. Moreover, threatening a supplier to switch to another supplier is often sufficient to make them give in as switching costs for suppliers are usually higher compared to those for retailers. Suppliers can limit switching costs by strengthening their sales department and spreading sales over different buyers.

Tips:

Aim for long-term contracts and stable trade relationships to prevent your buyer from switching to a new entrant.

Make sure that your wine is always available. Once buyers need to go elsewhere they do not come back.

Aim for long-term agreements in order to split risks and profit more equally.

Aim for importers as they also deal with lower volumes and can provide marketing support.

Competition in middle to premium segments

Competition amongst wine suppliers is high in the middle to premium market segment, as most European wine producers aim to be in these segments. Additionally, many private labels are found in the middle to premium segments, which accounted for 33.5% of still wine sales in 2014. While the top 30 wine brands decreased by 3.6% in volume between 2012 and 2014, private label volumes increased by 4%.

In order to be competitive, suppliers need to show their unique selling points (USP). Examples are [Geographical Indications](#) and wine show medals, but also the previously mentioned stories about production (e.g. altitude), grape variety and origin and sustainability. Due to the importance of fashion trends in the wine market, your USP can attract many new buyers at one moment and loose popularity at another.

Tips:

In order to protect the reputation of your country, Business Support Organisations can lobby with the government to secure the quality of national exports through a control panel.

Participate in wine tasting events to gain recognition for your wine.

If you have an interesting story to tell about your wine production, use it for branding.

Low-end segment is sophisticated but competitive

In the low-end segment of the British wine market, competition is strong. Exporters need to compete with sophisticated wines at low price points. Only exporters in developing countries who are able to produce larger volumes of a consistently high quality will be able to access this market segment.

Tip:

If you can supply sophisticated wines at low price points, focus on the low-end segment.

Who are my competitors?

Competition from other countries

Italy and France are the largest wine suppliers to the British wine market. Italy is a strong competitor based on price while French wine is known for its high quality. Developing countries supplying the British wine market do so mainly in the high-volume segment. Exporters from these countries who are not able to deliver high volume emphasise their Unique Selling Point. Currently, Chinese and Indian wine is still too expensive (relative to its quality) for consumers in the United Kingdom. This is likely to change in the medium to long term.

Tips:

Wines from Southern European countries have acquired a strong market position in the wine market of the United Kingdom. Do not attempt to compete with Southern European countries, as this will be too difficult.

To compete with other developing countries, you need to be able to supply bulk wine at low costs. If you are not able to do so, emphasise your unique selling point to enter the wine market of the United

Kingdom.

Keep a close eye on your Chinese and Indian competition through newsletters, trade fairs and attaché reports at <http://gain.fas.usda.gov>.

Emergence of Chinese suppliers might influence supplier power

Increased demand from Brazil, Russia, India and China (BRIC) improves the position of wine suppliers around the world. It is a simple economic concept: more demand in combination with stable supplies gives suppliers more power in relation to buyers. Until now, the emergence of BRIC markets has had a particularly positive effect on the power of bulk wine suppliers for the low-end segments. Nevertheless, the expected emergence of China as a supplier may outweigh the effect of the emergence of BRIC consumer markets.

Tip:

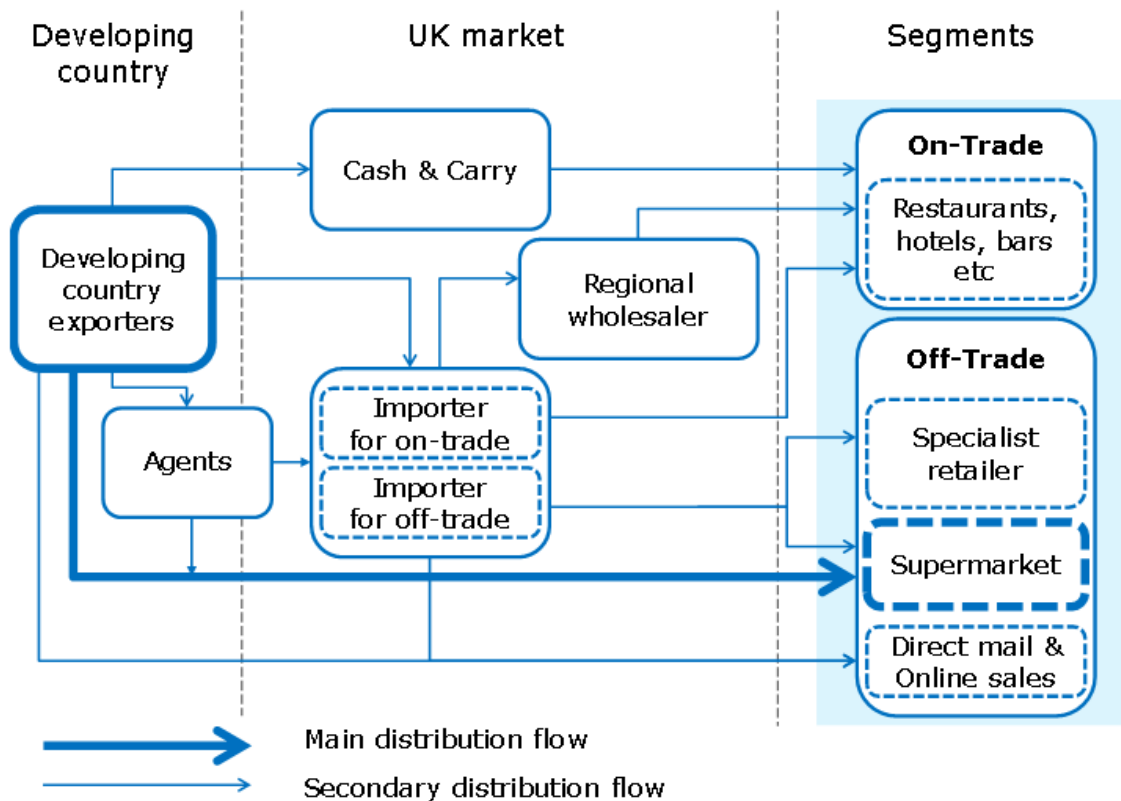
Monitor developments in Chinese wine production by regularly checking [attaché reports](#) from the Global Agricultural Information Network (GAIN).

6. Through what channels can you get wine onto the market in the United Kingdom?

Trade channels

The trade channels for wine in the United Kingdom are presented in Figure 3.

Figure 3: Trade channels for wine in the United Kingdom



Buyer concentration makes long-term relationship important

The wine market in the United Kingdom has a small number of large buyers. The off-trade (around 10 supermarket chains and speciality shops) dominates wine sales. Supermarkets have become very competitive in the field of wine in order to attract more consumers. Some of them focus on the premium segment, such as [Waitrose](#), while others focus on low-priced bulk wines. All of them run frequent promotions which bring down the prices of wines.

Big retailers have also established their own private labels, which have grown in popularity and are regarded as labels of quality. This dominant position of supermarkets is expected to strengthen further in the coming years.

Tips:

Be consistent and trustworthy in your supply quality and quantity. Make sure your wine is always available; once buyers need to go elsewhere they do not come back.

Engage in a long-term partnership with an importer or bottler in the United Kingdom, where you develop a buyer's own brand, in order to split risks and profit more equally.

Independents offer opportunities for small-volume suppliers

Independent wine merchants, as opposed to larger specialist retail chains, are emerging in the British wine market. They can differentiate themselves more, thereby addressing the consumers' growing interest in wine. They are finding new customer bases, are building a more attractive assortment compared to supermarkets and have an innovative marketing and client approach. For example, they organise in-store wine tastings and winemaker events.

The number of independent retailers in the United Kingdom has increased by 50% since 2007 to approximately 750 stores, excluding large retail chains (Decanter, 2014). Specialist retail chains, as opposed to independents, are actually losing market share.

Tips:

Develop a Unique Selling Point, like unusual origins, varieties, production/region stories, sustainability/organic or Fairtrade certification.

Independent wine merchants can best be reached through an importer specialised in the off-trade.

Direct mailers and online sales

Direct mailers, such as Laithwaites and Direct Wines, are a traditional phenomenon in the British wine market which is still an important off-trade outlet for wines outside the supermarket channels. One important aspect of direct mailers to consider for wine exporters is the fact that you can easily do one-off deals with these companies. Direct mailers are slowly changing to online sales platforms to meet the needs of the younger generations which are more accustomed to online ordering.

Online sales in the off-trade account for 11% of the market in the United Kingdom, well ahead of the European average (The Drinks Business, 2015). In general, retailers with physical stores lead the development of online sales. Nonetheless, many small premium wine importers without physical stores, and more recently discounters (e.g. Aldi), offer their wines through a webshop too. Premium wines sell well online as consumers are willing to pay more for a less common wine which they cannot buy in the supermarket.

Read more in our study on [Online wine sales in Europe](#) and in our study on [trends on the European wine market](#).

Tips:

Direct mailers and webshops can do one-off deals (buying only one batch in smaller volumes) more easily. This allows wine exporters to experiment if the British market has interest for their wines.

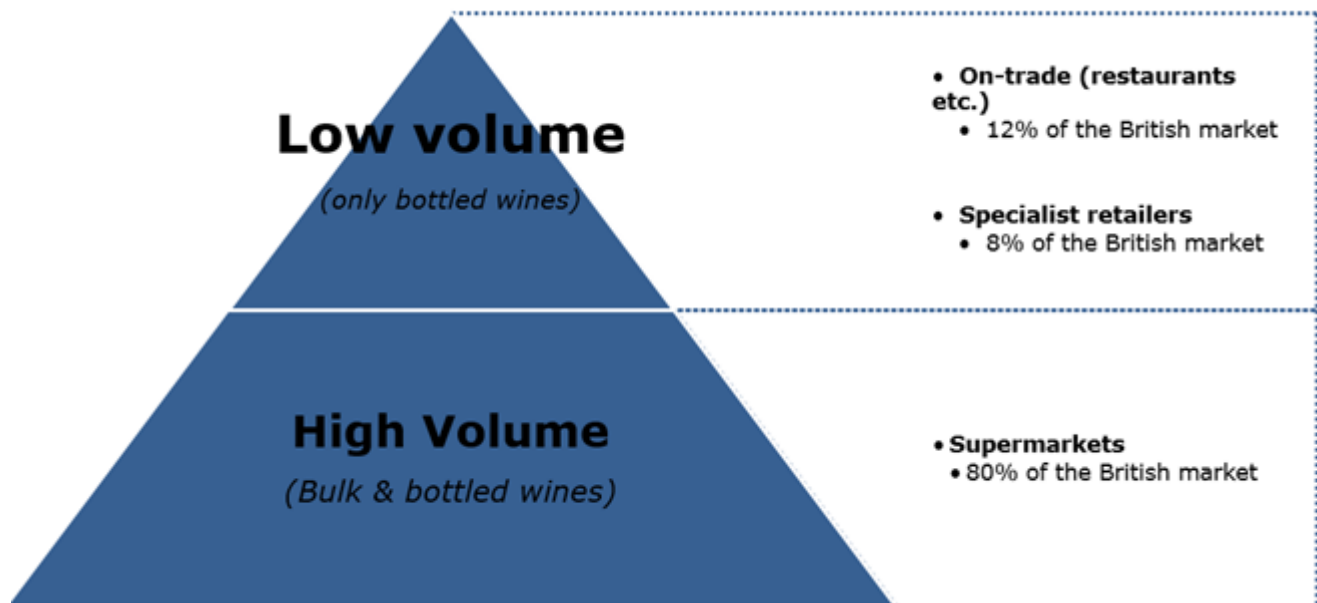
If you supply small volumes of premium wine, find an importer with a webshop which offers wines from unique locations.

Webshops are particularly interesting retail channels for premium wines from developing countries, as they offer space to provide product information, such as a story about the history of the winery.

Segmentation of wine

The segmentation of the British wine market is presented in Figure 4.

Figure 4: market segments for wine in the United Kingdom, including an indication of share in sales per segment



Growing imports of bulk wine offer opportunities for high-volume suppliers

The United Kingdom increasingly imports bulk wine. This method reduces transport costs, delays the start of a wine's shelf life, and reduces the risk of damage to the bottles. The increased sales of private-label wines also stimulates bulk wine imports. Bulk wine exports require a wine producer to be able to export large volumes of wine because a wine flexi-tank holds the equivalent of 32,000 bottles. However, the threat of being substituted is significant. It is therefore recommended to have a diversified client portfolio.

When supplying bulk wine you can target a supermarket, either directly or via an importer. The retailer or importer then bottles the wine in the United Kingdom. Supplying bulk wine directly to supermarkets is difficult, making an importer a more suitable channel. Listing fees and necessary promotions make it (financially) difficult for a developing-country exporter to successfully target this channel. Working with supermarkets therefore requires good price calculations and involves high risks, as the sales quantities are not guaranteed.

Tips:

When supplying bulk wine, you can only target supermarket channels. They require large volumes against a relatively low price.

Importers can play a role in protecting producers from the high risks involved when trading with one big buyer, by spreading sales and helping with their understanding of supermarket requirements.

When supplying supermarkets, make sure you can continuously deliver on quantity and quality, as this is of crucial importance to bulk buyers.

Strong middle segment

In contrast to many other European markets, the middle segment in the United Kingdom is strong. Consumers are increasingly spending more on quality wine while drinking less. Only consumers that are sensitive to price points still buy simple table wine. The medium to sub-premium segment, consisting primarily of branded wines, is growing. Particularly 'empty nesters', whose children have grown up and left the house, and people who have retired are good target groups for (sub-)premium wine.

Tip:

If your wine's quality is considered to be moderate, either improve the quality before trying to enter the British market or focus on supplying bulk wine.

Differentiation in private labels

Retailers increasingly carry different private labels. As the share of private labels in wine sales increases in the United Kingdom, the need for differentiation also becomes increasingly important. Commonly, private labels refer to the name of the retailer or do not mention a brand name at all. Private labels in the low-end market segment are often made of relatively cheap bulk wines. In addition to these cheap private label wines, retailers also develop premium private labels which cannot be recognised by consumers as a private label of the retailer.

Retailers will increasingly take control of the branding of wines, as it offers them several advantages. Firstly, it gives them greater control over their supply chains, because they can switch between suppliers if needed. As long as the flavour profile of the total wine blend remains similar, they can change individual wines in their blend. Secondly, retailers can add value by branding and have all the resources they need to build strong brands.

Tips:

Supplying wine for private labels is only interesting for relatively large exporters, as retailers with private labels require large volumes, especially in the low-end market segment.

Supplying wine for private labels is particularly interesting for exporters whose activities focus on viticulture and wine-making. The supply of wine for private labels offers an opportunity to direct all resources towards the improvement of production, whether in terms of quality or quantity.

Mix private label wine supplies with branded wine supplies to remain an interesting partner for retailers, while also adding value through your own brand.

Product appreciation in the wine market of the United Kingdom

Table 2 provides some insight into which product options are appreciated in the wine market of the United Kingdom. High volume and low volume refers to matching target segments to your export capacity. For more detailed information on specific segments, please read our study on [Sustainable wines](#) or [Bulk wines](#) in Europe.

Table 2: Appreciation for product options in the wine market of the United Kingdom

	Organic	Fair trade	ISO quality	ISO social	Screw cap	Bag-in-Box	Bulk wine	Online Sales
<i>High-volume segment</i>	++	+	++	+	+++	++	++	+

<i>Low-volume segment</i>	++	+++	+++	+++	++	--	---	+++
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7. What are the end market prices in the United Kingdom for wine?

Average British consumer price indications for wine for on-trade and off-trade are presented in Table 3. The large price difference between the segments is mostly due to the price calculation in the on-trade channel which also has to cover higher exploitation costs.

Table 3: Average consumer prices per trade channel

Trade channel	Price indications per bottle
<i>Off-trade</i>	
Supermarkets	€ 4.40
Specialist retailers	€ 7.60
<i>On-trade</i>	€ 19.00

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