



CBI  
*Ministry of Foreign Affairs*

# **CBI Trends:**

# **Wine in the United Kingdom**

## Introduction

Consumption of alcoholic beverages in the United Kingdom (UK) has traditionally been dominated by beer; wine came second. However, wine has become a fashionable drink and tax measures to discourage alcohol consumption in combination with economic adversity have not prevented wine consumption from growing. New forms of packaging add to this growth.

## Sparkling wines in fashion

- **Shift to sparkling wines:** According to the Wine and Spirits Association, sparkling wine sales in the UK increased by 33% in the period 2009-2014 and by 12% in 2014 alone. In contrast, light wine sales decreased by 9% over the same period. Prosecco is leading the way. Sales of Prosecco increased by 61% in 2014, compared to Champagne, which increased by 1%, and Cava, which fell by 9.3% (The Drinks Business, 2015).
- **Decline of other easy drinking wines:** The growth of sparkling wines has been at the expense of still wines, including other easy drinking wines such as rosé. Although rosé has gained popularity in recent years, sales decreased by 2% in 2014. Nonetheless, rosé accounted for 12% of still wine sales.
- **Fashion trends change quickly:** In the long term, many of the young consumers who 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 UK wine industry.

### Tips:

- Offer an assortment including both wines with a low alcohol content and wines with 13.5-14% vol.
- Supply your easy drinking wine in bulk.
- Monitor the success of the [marketing efforts by the UK wine industry](#) to anticipate fashion trends.

## Importance of branding

- **Stand out:** Branding is very important in the UK premium segment. A strong brand can help your product to stand out from the crowd. The module [CBI Competition for Wine in the UK](#) discusses the importance of distinction to successfully compete on the UK market.
- **Growth of private labels:** 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 anymore. For example, the retail chain Tesco has a premium private label range under the name [Tesco Finest](#). In the short-term, such private labels of retailers are expected to gain a considerable share in the premium segment.
- **Tell your story:** Branding is a particularly interesting opportunity for exporters with an attractive story to tell, which distinguishes their product from the competition. [CBI Competition for wine in the UK](#) provides more information on competition and how to deal with it.

### Tips:

- Build your brand around your product's Unique Selling Point.
- 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 dependability on them.

## Opportunities for Fairtrade wine

- **Companies expect fair conditions:** European companies are increasingly taking responsibility for the social conditions under which their products have been produced. Particularly in the UK, Europe's leading Fairtrade market, consumers expect fair social conditions in the entire value chain. Especially supermarkets with private label wines are increasingly taking measures to reduce the chance of any involvement in scandals related to bad labour conditions at their suppliers. In addition to Fairtrade certification, British retail chains are active in similar organisations such as the Ethical Trade Initiative, which promotes fair working conditions.
- **Fairtrade sales increasing:** In 2013, Fairtrade wine sales in the UK increased by 15% and UK sales of Fairtrade goods in general increased by 12% (Fairtrade Foundation, 2014). In 2013, Fairtrade sales in the UK accounted for approximately 44% of total European sales. If you already have a Fairtrade certificate or aim to obtain one, the UK will be the most interesting market in the EU.

- **Fairtrade remains niche market:** Fairtrade certification will give you access to a niche market in the UK. However, future prospects are still not very promising. Even in the UK, consumer awareness about Fairtrade wine is still low and supermarkets may also opt for their own private sustainability standards.

#### Tips:

- Always check with your buyers if they require you to obtain a certificate.
- Integrity and responsibility prevent damage to your own or your buyer's brand.
- Ensure fair labour conditions and care for the environment through codes of conduct, certification or other measures. If you are a BSO, 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.

## Stimulation of drinking moments

- **Sorting by taste profile:** Wine is a drink for different occasions. In order to stimulate wine drinking on different occasions, British retailers are making it easier for consumers to find the right wine for their occasion. Instead of sorting wines by country, several retailers are sorting their wines by taste profile. This may have a very positive effect on New World wine sales, as consumers will give less priority to origin as a buying criterion.

#### Tip:

- Describe the taste profile of your wine, preferably based on expert opinions, and match this with suitable occasions or food. Use this information to promote your wine.

## Modern closures

- **Screw caps are popular:** The acceptance of screw caps, or 'stelvins', has grown significantly in the past years. According to a 2014 report by Wine Intelligence, consumers in the UK favour screw caps and natural cork equally. Screw caps already account for 40-50% of the wine sales in supermarkets. Within the next 5 years, screw caps are expected to account for 90% of the market. They are not only cheaper, but also more reliable than corks. Nonetheless, traditional corks will remain most common in the high-end market, consisting of € 13+ wines.
- **Screw caps offer benefits to supermarkets:** Particularly supermarkets stimulate the use of screw caps. They often charge their suppliers for bottles of wine which are returned by consumers, because of quality issues. Wines closed off with corks can be tainted, while wines closed off with screw caps cannot.
- **Artificial corks:** Artificial corks are also on the market in different types:
  - Synthetic corks (such as Nomacork) are widely accepted as an alternative and compromise between natural cork and screwcap;
  - Conglomerated corks (especially DIAM, which is produced on the basis of super critical extraction with CO2 to eradicate any TCA from the cork particles) are also widely accepted as an alternative and compromise, but are more expensive than synthetic corks;
  - Vinolok is a glass stopper which is aesthetically beautiful but expensive and not accepted by supermarkets (who are afraid of glass-on-glass TQ issues).

#### Tips:

- If you supply bottled wine for the low or medium segment, use screw caps.
- Do not experiment with corks that do not have a good reputation, as the return of wine by consumers may cost you money and your reputation.

## Wider acceptance of alternatives to glass

- **Innovations in packaging:** In the last decade, a similar shift as the one from traditional corks to modern screw caps has taken place in packaging. Aluminium cans, PET bottles and, to a lesser extent Tetrapak, are also slowly becoming accepted forms of packaging in the wine market.
- **Different packaging for different needs:** 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. Typically, beverage manufacturers use these new packaging materials for products such as wine cocktails, wine with fruit flavours and chocolate wine, with a strong focus on 1-portion packaging, both in off and on-trade. Nevertheless, the new forms of packaging have become established alternatives to glass bottles and consumers are expected to accept these forms of packaging more easily as they become more used to seeing or even using them.

- **Benefits of alternative packaging:** Cans, PET bottles and Tetrapak are completely recyclable into new ones and back on the shelf within 60 days. Moreover, they are lighter than glass and do not break if dropped. Additionally they are more environment-friendly. The transport related CO2 emissions are lower compared to glass packaging, mainly because they are lighter and take up less volume. This also reduces the cost of transport compared to glass bottles. New keg technology has also made it easier to transport and store draught wine. This technology uses recyclable plastic and keeps wine fresh for longer periods.
- **Limited opportunities from new packaging:** The acceptance of the new forms of packaging offers limited opportunities to exporters in developing countries, as they are mostly applied at the low-end of the market. The wine for this market segment is imported in bulk to reduce costs. Packaging takes place in the UK. Nonetheless, the diversification in packaging leads to market growth, which is beneficial for all wine suppliers.

#### Tips:

- Whether you supply bottled wine or bulk, use as much recyclable material as possible.
- If you supply wine cocktails, wine with fruit flavour or chocolate wine, consider 1-portion packaging.
- If you supply bottled wine, consider different ways to reduce the weight of your packaging.

## Online sales growing quickly

- **Highest online sales in Europe:** The UK is one of the world's most advanced markets for online wine sales. UK online wine sales are higher than those of any other European country, accounting for 11% of total wine sales. Online sales are expected to further increase in the coming years and have the potential to become a significant market channel. In most of Europe, including the UK, existing wine retailers with shops lead the development. They use the same distribution infrastructure for both their offline and online sales.
- **Online sales offer opportunities:** This market development is particularly interesting for new market entrants from developing countries, as they can use the online space to provide more information on their products. This serves as an instrument to convince consumers of the value of their products. Without the additional information, consumers are more likely to purchase products which have already gained a good reputation.

#### Tips:

- Cooperate with your buyer to develop attractive website texts for online sales.
- If you aim to promote your wine online, make sure to have a buyer before you contact wine journalists and wine bloggers. They only accept wines that are or will be available on the UK market.

## Economic recovery supports on-trade sales

- **Falling consumption, rising sales:** During times of economic instability, such as the economic crisis of the past few years, consumers will search for value for money. During the global economic crisis, consumers tended to trade down from luxury products to basic products. Nonetheless, average wine prices in the UK increased, as consumers have become more demanding in terms of quality and because other price factors increased. The retail value of wine sales has grown since the start of the economic crisis in 2008, even though per capita consumption has fallen by 10.5% (Harpers, 2015). This has been due to increased sales of premium wine.
- **British economy performing well:** Depreciation of the British Pound in the period 2007-2012 added to the price increases that were caused by increases in excise duty and VAT. The latter are discussed under 'Discouragement of alcohol consumption'. The sharp depreciation of the Pound versus major currencies, including the euro and the dollar, was caused by the global economic crisis. However, the strength of the British Pound Sterling relative to the Euro has improved since 2013. The main effect of the crisis was a switch from on-trade to off-trade, which has been analysed in the module [CBI Market channels and segments](#). Now that the British economy is recovering, out-of-home consumption is also increasing again.

#### Tip:

- As the value of the British Pound Sterling has increased compared to the Euro, you may be able to enter other European markets through the UK.

## Sustainable supplies

- **Environmental sustainability:** Suppliers to the European food and beverage market must increasingly ensure the environmental, social and economic sustainability of production systems. As the UK is the world's largest importer of wine, with some 1.8 billion bottles imported per year, the industry is estimated to have a carbon footprint of 1.5% of the total greenhouse gas emission of the UK. This includes transportation, water usage and the addition of 630,000 tonnes of glass to the waste system (WRAP, 2010). In order to reduce the impact of transport on the carbon footprint, the UK is expected to import more wine in bulk.
- **Practise what you preach:** Additionally, UK buyers are expected to demand more transparency and assurance of sustainability of wine production by their suppliers. Sustainable wine production is not limited to organic and biodynamic production. Sustainability can also refer to energy and water conservation, use of renewable resources and reduction of CO<sub>2</sub> emissions during transport.

### Tips:

- Reduce waste or enable recycling of waste materials, and minimise water use at your vineyard.
- Implement a quality and resource management system such as the [ISO14000 environmental management system](#).

## CO2 emissions push organic from the agenda

- **Low demand for organic:** Despite increased demand for sustainability, demand for organic wine remains small. Sales of organic wines, beers and spirits decreased by 7.6% from 2013-2014, even though overall sales of organic products grew (Harpers, 2014). In 2009, negative press, questioning the benefits of organic products, caused a sharp decline in consumer interest. Consumers were particularly concerned about the CO<sub>2</sub> emissions as a result of the importation of products from distant countries.
- **Consider the costs:** In 2011, a national campaign for organic products was launched to stimulate sales again. However, this has not yet led to a considerably improved image of organic wine. 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.

### Tip:

- Only obtain a certificate for organic production, if conversion and certification costs are low.

## Discouragement of alcohol consumption

- **Rising taxes:** The UK is one of the few European countries that discourage alcohol consumption through progressive taxation of consumption. The taxation consists of Value Added Tax (20%) and an excise duty. Between 2007 and 2015, the government increased the excise duty for still wine with an alcohol percentage of 5.5-15% to € 351.21 per hectolitre.
- **Tax rates differ by wine type:** The government discourages consumption of wine and wine-based drinks with a lower alcohol percentage less strongly by applying reduced rates of € 108.21 and € 148.80 per hectolitre to still wine-based drinks with an alcohol percentage between 1.2-4% and 4-5.5% respectively. In contrast, excise duties on sparkling wine amount to € 449.85 per hectolitre. Sparkling wine-based drinks with a relatively low alcohol percentage between 5.5-8.5% are subject to a reduced rate of € 340.03.

### 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 disassociate your company from problems related to that matter.



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