



“Wine Opinions”

JANUARY, 2021

Welcome to Wet January

There has been much speculation in the press about the "Dry January" movement gaining momentum, but that has proven to be an inaccurate forecast. A survey of the Wine Opinions consumer panel just before the end of the year shows there is scant evidence of intention among U.S. wine drinkers to decrease their wine consumption during January, let alone refrain entirely from alcohol consumption this month.

There were 1,697 respondents to the consumer survey (83% high frequency and 17% occasional wine drinkers). A sizable majority (76%) expressed no plans to change their beverage alcohol consumption habits in January.

There were only slight differences in January wine consumption projections between the segments, with just 6% of high frequency wine drinkers and 5% of occasionals indicating they would refrain from beverage alcohol consumption in January. There was a slight female skew among all who do plan to forego beverage alcohol this month.

The small percentage of wine drinkers planning to participate in "Dry January" was effectively countered by the same percentage of both the high frequency and occasional segments citing the likelihood of drinking more wine this January than last year. However, there were 8% of respondents who indicated they would cut back on beer or spirits consumption this month, and another 8% who planned to drink less wine in January than they did last year.

The Wine Opinions panel of wine trade professionals was also polled on this subject, and expressed roughly the same plans as the consumer group for beverage alcohol consumption in January.

There were 482 wine trade respondents to the survey, with 71% stating no plans to change their beverage alcohol usage this month and only 6% indicating they will participate in "Dry January." However, those who work in the on-premise tier stood out. While just 5% of all other trade respondents stated plans to participate in Dry January, 9% of those in the on-premise tier planned to refrain from beverage alcohol consumption this month.

High Frequency Wine Drinkers

| | |
|----------------------------------------------------------------------------------------|-----|
| I don't expect any change at all in my beverage alcohol usage for January | 76% |
| I plan to participate in "Dry January" and not drink any beverage alcohol in January | 6% |
| I will cut back on any beer or spirits I usually drink, but will drink wine in January | 8% |
| I'll probably drink <u>more</u> wine in January than I did last year | 6% |
| I'll probably drink <u>less</u> wine in January than I did last year | 8% |

Members of the Wine Trade

| | |
|----------------------------------------------------------------------------------------|-----|
| I don't expect any change at all in my beverage alcohol usage for January | 71% |
| I plan to participate in "Dry January" and not drink any beverage alcohol in January | 6% |
| I will cut back on any beer or spirits I usually drink, but will drink wine in January | 11% |
| I'll probably drink <u>more</u> wine in January than I did last year | 7% |
| I'll probably drink <u>less</u> wine in January than I did last year | 10% |

Forecast for 2021 - Sunny, With a Chance of Flowers

We asked a few wine industry colleagues to identify a trend that will likely make headlines as the new year unfolds, and tell us why. Their thoughts are presented below:

Cyril Penn - Editor of Wine Business Monthly

The 'Better for You' category will get attention in 2021. As the pandemic wears on, people are reevaluating, and some of that involves low calories and low alcohol. Trinchero has launched Mind & Body Wines at 90 calories per 5 oz serving. They are 9 percent alcohol, and are "vegan, gluten free, non-GMO, and made with no added sugar." Scheid Vineyards launched Sunny with a Chance of Flowers, billed as "A mindfully made wine that's zero sugar, 85 little calories, 9% alcohol." And Precept Wine has introduced Cense, a line of 9.5% alcohol wines with 85 calories per serving and a WeightWatchers SmartPoints value of 3. The Wine Group launched Cupcake LightHearted, Delicato is launching Bota Breeze, and Yellowtail is introducing Yellowtail Pure Bright. There's more consumer interest in health and wellness and lower calorie wines that are light and refreshing.

Jon Bonné - Writer/Managing Editor of Resy

I think in 2021 we're going to hear more about Southwest France. This is NOT, admittedly, something I would have imagined saying a couple years ago. But if the French new wave has solidified in more popular corners - Champagne, Beaujolais, the Loire - there's been a much quieter quality revolution taking place in places like Cahors, Gaillac, Bergerac - even spots that haven't been heard from in a long time, like Côtes de Duras. Those threads of organic, naturally-minded winemaking, young vigneron, hipper-than-thou vin de France? All taking place in Southwest France, with the side bonus of the wines being relatively cheap and often similar to Bordeaux, without toting that other region's baggage.

But why is pricing moving in different directions, during the COVID impacted months since March? Well, at retail we're seeing a continuing trend of premiumization, whereby a consumer is willing to trade up for more expensive bottles of wine over time. Bottles of wine over \$11 are performing much better than those under \$11, and COVID has served to further accelerate the degree of trading up. To some extent, the pandemic has freed up money for consumers more insulated from the economic fallout of COVID, since expenditures for travel, concerts, sporting events, etc. are off the table for now.

At the same time, while there is trading up at retail, we should be aware that for those consumers who are replacing a \$75 bottle of wine that they might have ordered at a restaurant BC (before COVID) for that same bottle in a store priced at \$20-\$25 (due to the on vs. off premise mark-up differences) they are in fact trading down. And when life gets back to normal, it will be interesting to see whether restaurants will be able to again fetch \$75, or whether consumers might be more resistant than before to that pricing.

Several factors are leading to the declining average price paid in the DtC channel: New buyers to this channel buying lower priced wines; the economic pain of COVID making some consumers unwilling or unable to spend as much for a bottle of wine ordered direct as before; some wineries reducing prices to move stock and maintain cash flow; and larger wineries continuing to expand their presence in the DtC channel to complement to their 3-tier business.

NOTE: After a long tenure leading Nielsen's Beverage Alcohol Practice, Danny Brager introduced Brager Beverage Alcohol Consulting in August of 2020, offering analysis services to companies that seek to translate market data into authoritative, fact-based insights in

Wine Market Topics, Trends, and Thoughts

Christy Canterbury, MW

Alternative packaging will be of increasing interest, because glass bottles are so 20th century. Many parts of grape growing and winemaking have been reimaged with an eye on environmental friendliness, but packaging has hardly been touched.

Most wine is of the everyday, easy-drinking type. It doesn't need a glass bottle - we're just used to it being presented that way. Like almost everything else in the industry, bulk wine shipment has changed dramatically, and we better understand wine chemistry. It's time that we take advantage of that and start bottling closer to the point of distribution to the end consumer for these kinds of wine.

Alternatives to glass are not just an environmental advantage, they are also a cost advantage and more user friendly - from BIB to can and PET bottle to Tetra Pak. Granted, not all of these options are fully recyclable, but it's time the wine industry started weighing the options.

Elin McCoy - Global Wine Critic, Bloomberg News

I'm convinced that Portugal offers some of the best red and white values in the wine world, especially those regions that not many wine drinkers know, such as Alentejo and Lisboa, as well as the Azores. The first two are sources of stellar red blends. And even though the grapes are unfamiliar to most drinkers, the idea of a red blend is familiar and popular. The region has something for every wine drinker category - inexpensive easy-going vino for newbies, esoteric grapes for geeks, great wines for collectors, and last year it opened fabulous oenotourism attraction World of Wine in Porto, for when we can all travel again. I also see 2021 as the year that Oregon chardonnay will become much more popular.

Two Sides of a Coin - Retail vs. DTC Price Trend

Guest Column by Danny Brager

The average price paid for a bottle of wine is moving in two different directions, depending on the channel where the consumer is purchasing that bottle - retail stores on the one hand, compared to wines ordered directly from a winery and shipped to the consumer.

The average price in the Direct to Consumer channel is 3 times higher than the average retail store price (depending upon the time of year), and reflects the former's more premium portfolio of wines. And the price paid is normally higher in both the spring and fall - often coinciding with wine club shipments to winery members. It's also the channel where premium wineries in iconic regions like Napa and Sonoma reside.

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support of their brand and corporate goals. For further information regarding either the retail or DTC channels, you can contact Danny as bragerdanny@gmail.com.

DtC Shipments – Avg Price per 750 ML

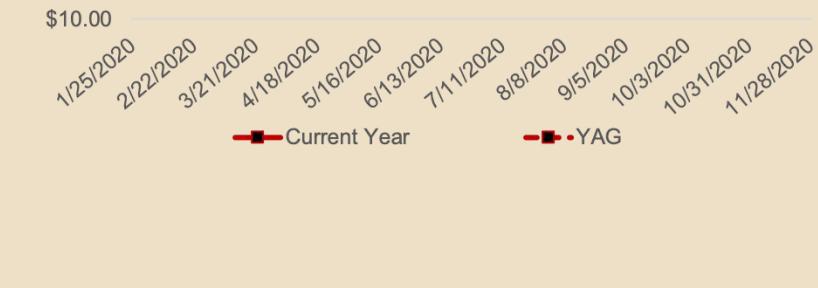
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