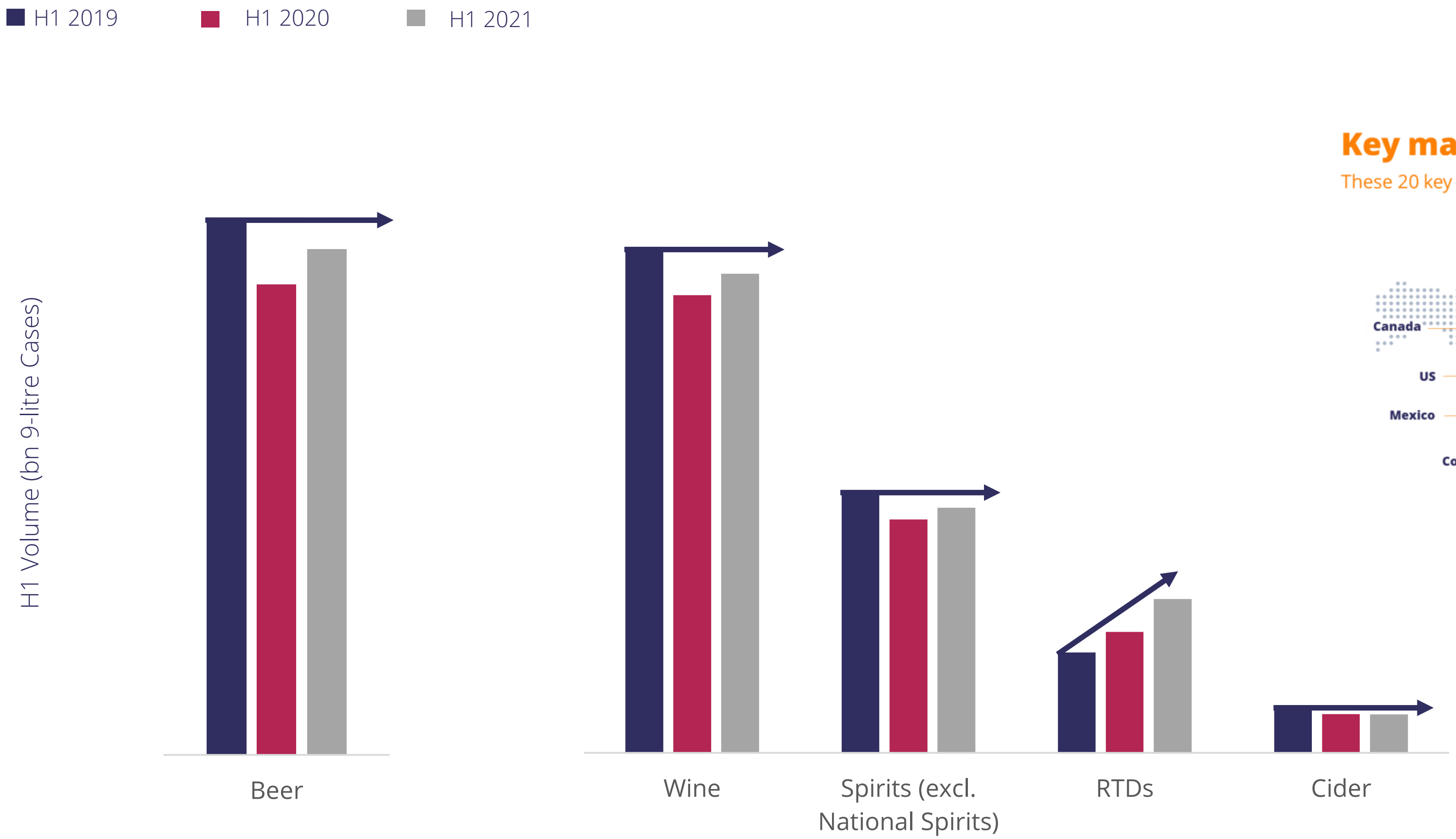
IWSR / WINE INTELLIGENCE

KEY TRENDS IN WINE: 2022 and beyond

10th April 2022

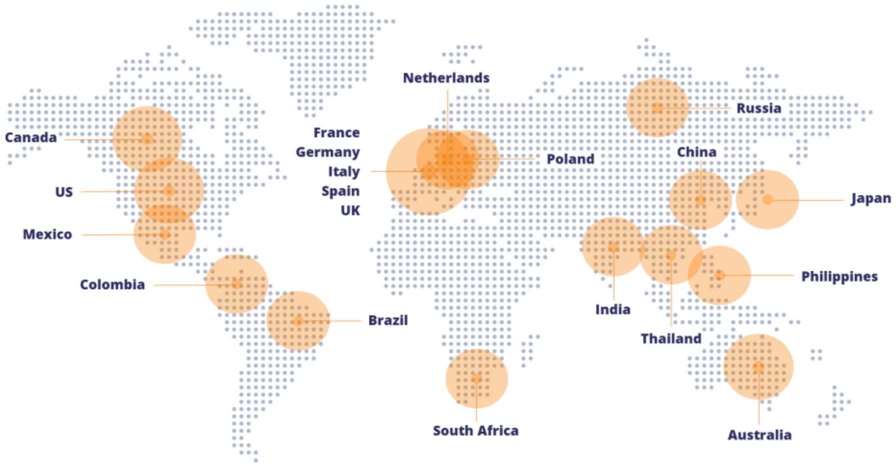
Beer and wine yet to rebound to pre-pandemic levels

H1 Volume Trend 2019–21 – 20 key markets



Key markets

These 20 key markets hold 75%+ share of global total beverage alcohol



Wine posting H1 recovery ahead of beer and spirits compared with 2019

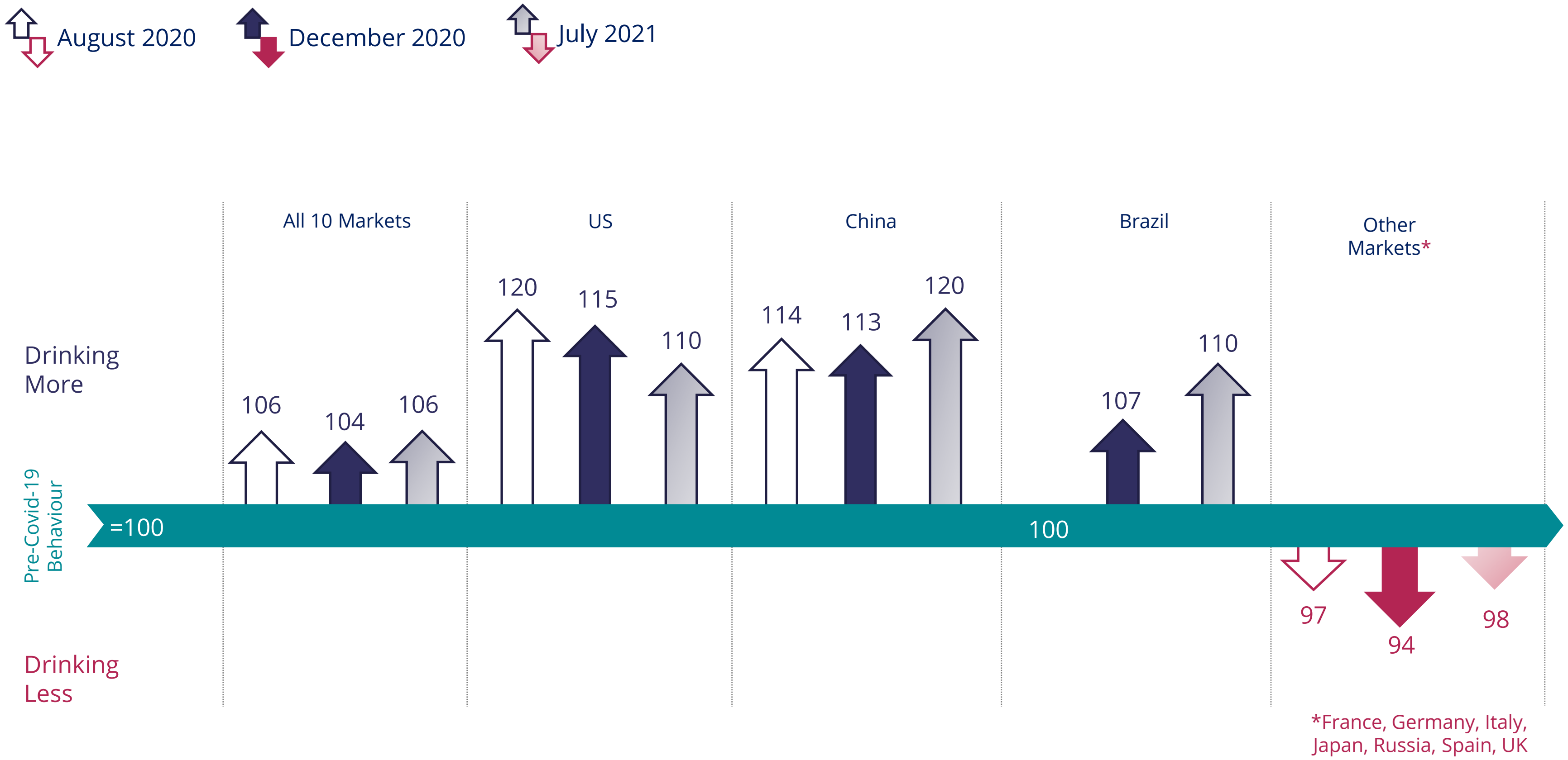
H1 2021 Category overview:

20 key markets

	TBA excl. National Spirits	Beer	Wine	Spirits excl. National Spirits	RTDs	Cider
Immediate Covid Impact % change H1 2019 to H1 2020	-11.0%	-12.3%	-9.2%	-10.4%	20.4%	-16.0%
First Half Year Recovery % change H1 2020 to H1 2021	7.6%	7.5%	4.7%	5.0%	27.4%	-0.8%
Level of recovery % change H1 2019 to H1 2021	-4.2%	-5.7%	-4.9%	-6.0%	53.4%	-16.6%

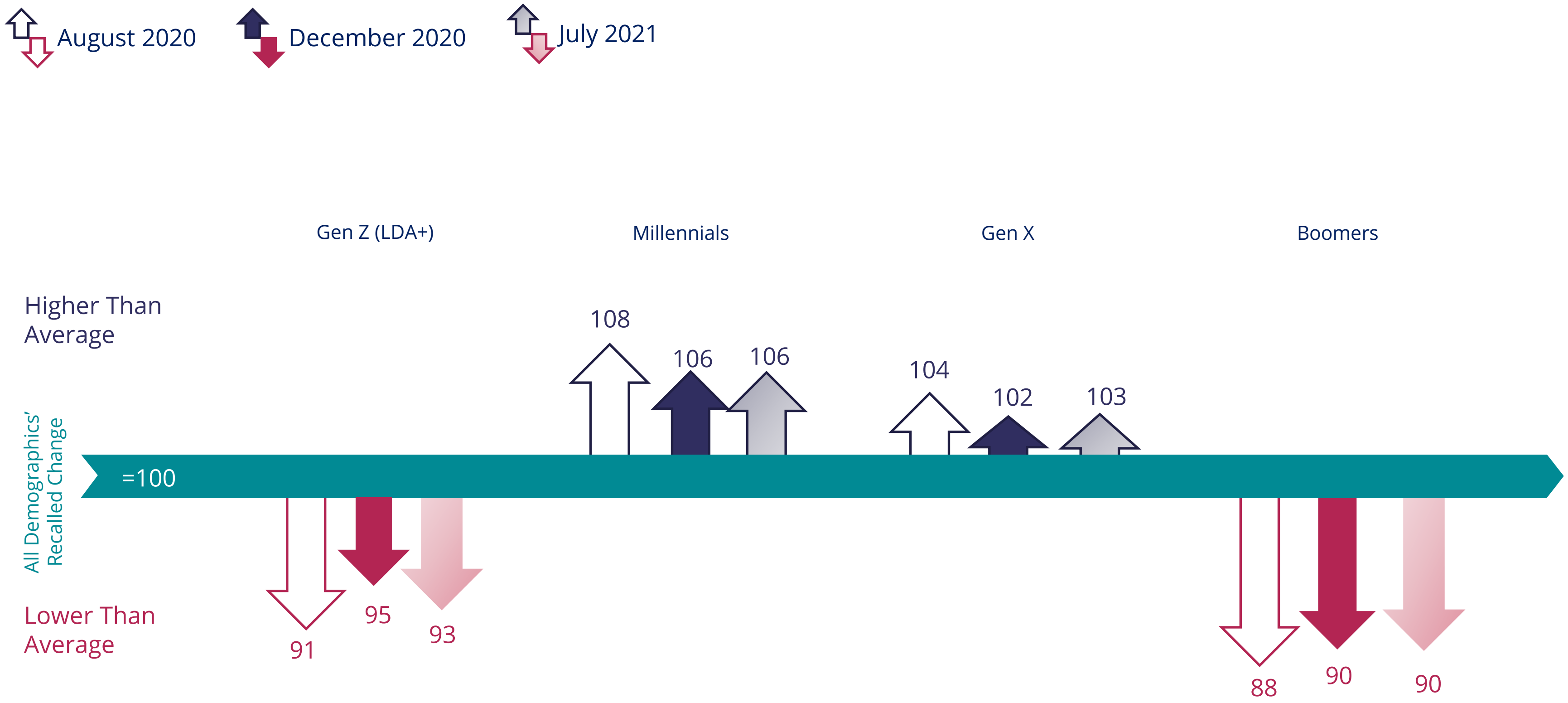
US, China and Brazil TBA consumption out-paced that in key European markets and Japan

IWSR **TBA consumption index**, where pre-Covid-19 behaviour = 100
Wave-on-wave comparison: Aug 20 vs Dec 20 vs July 21



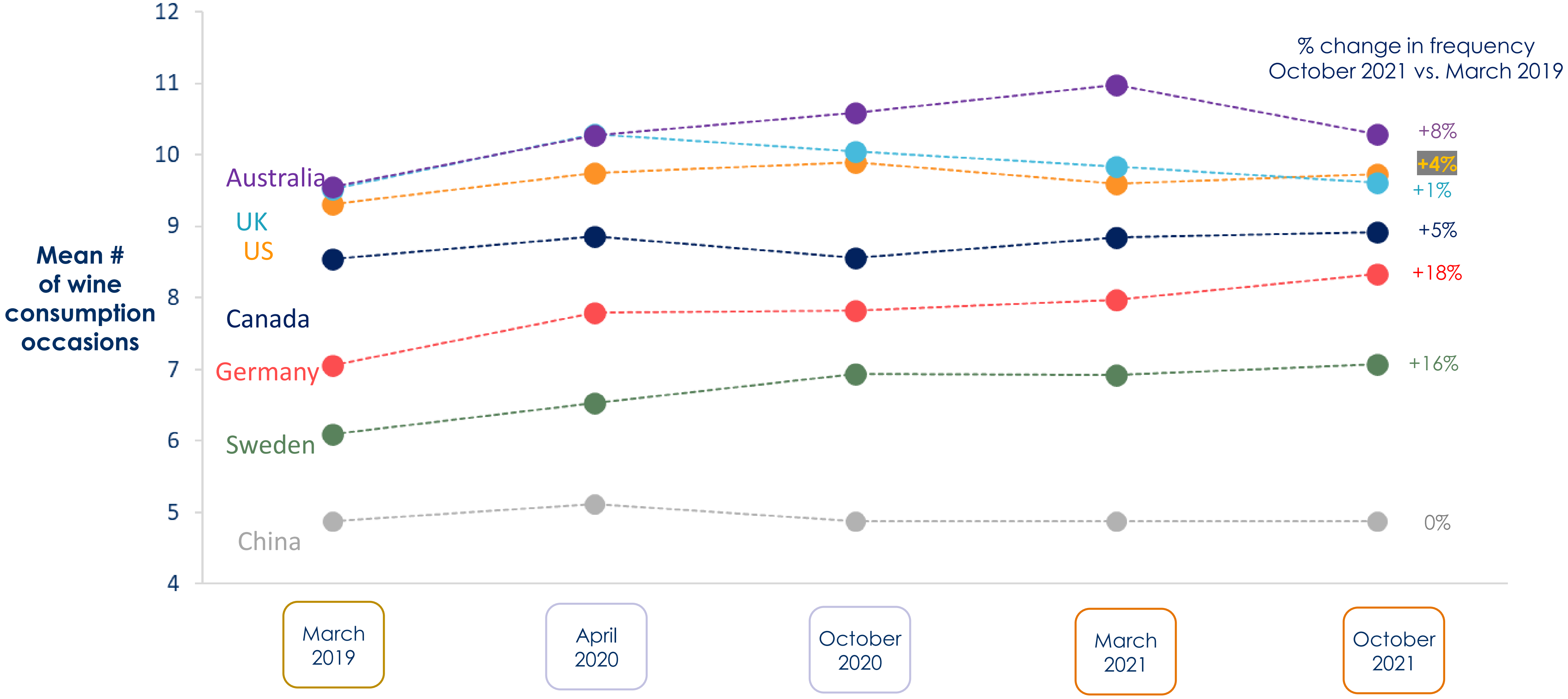
Gen Z & Boomers socializing and TBA consumption most impacted during Covid due to mandated and self-imposed restrictions

IWSR **TBA relative consumption** index, weighted by population, where pre-Covid-19 behaviour = 100
Wave-on-wave comparison: Aug 20 vs Dec 20 vs July 21



Wine consumption frequency increased amongst committed 'regular' wine drinkers, whilst the less-engaged departed the category

Average number of times wine is consumed, combined on- and off-premise, per month among regular wine drinkers

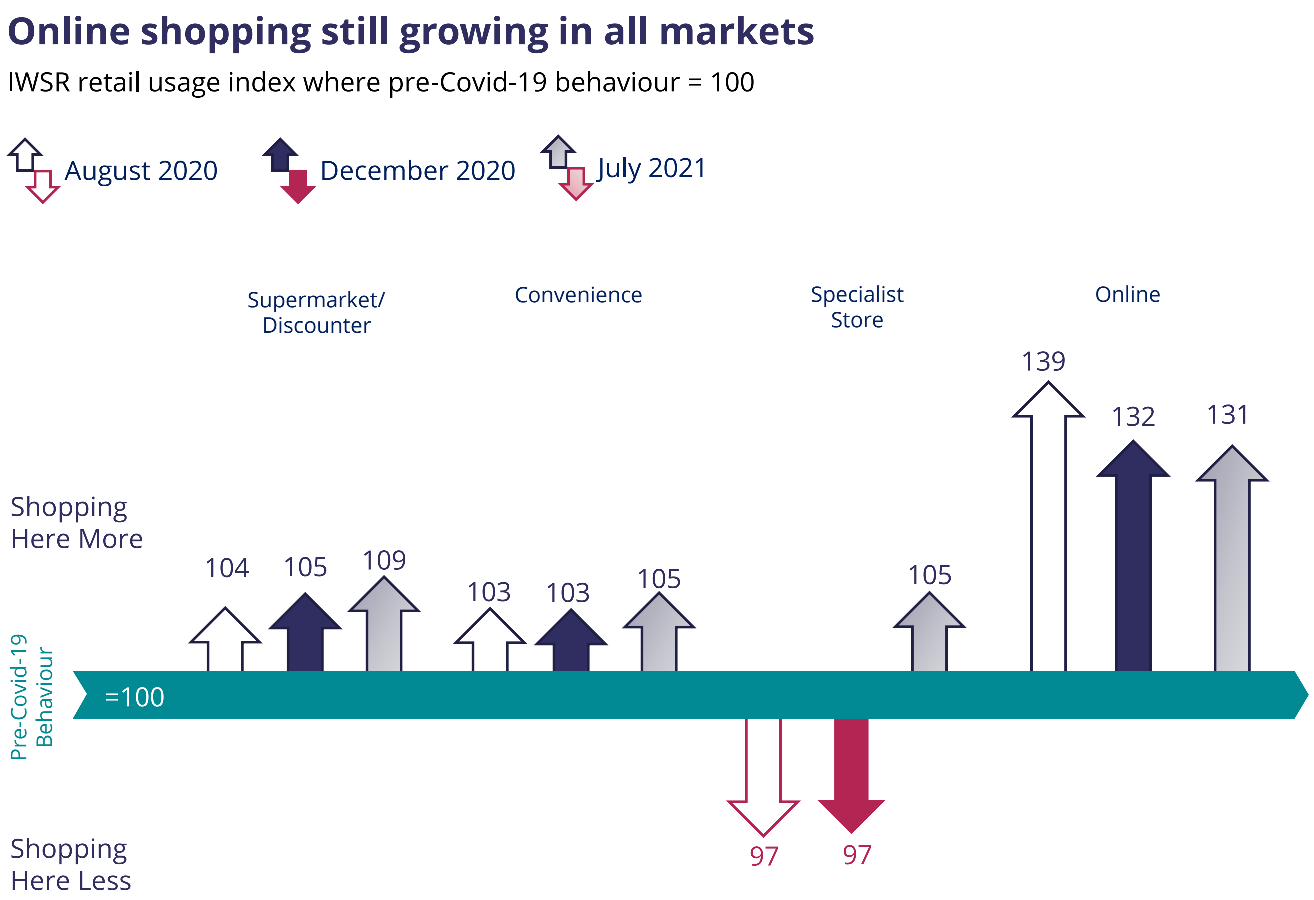


Regular wine drinkers: Those who drink wine at least once a month or more. Exception China: All Chinese urban upper-middle class semi-annual imported wine drinkers

Source: Wine Intelligence Vinitrac® Global, Mar '19, Apr '20 (23rd March – 16th April),, Oct'20,, Mar '21 and Oct'21, n>=709 regular wine drinkers in each market

vinitrac

Online purchase growth for TBA continued in 2021, with forecast channel growth to 2025



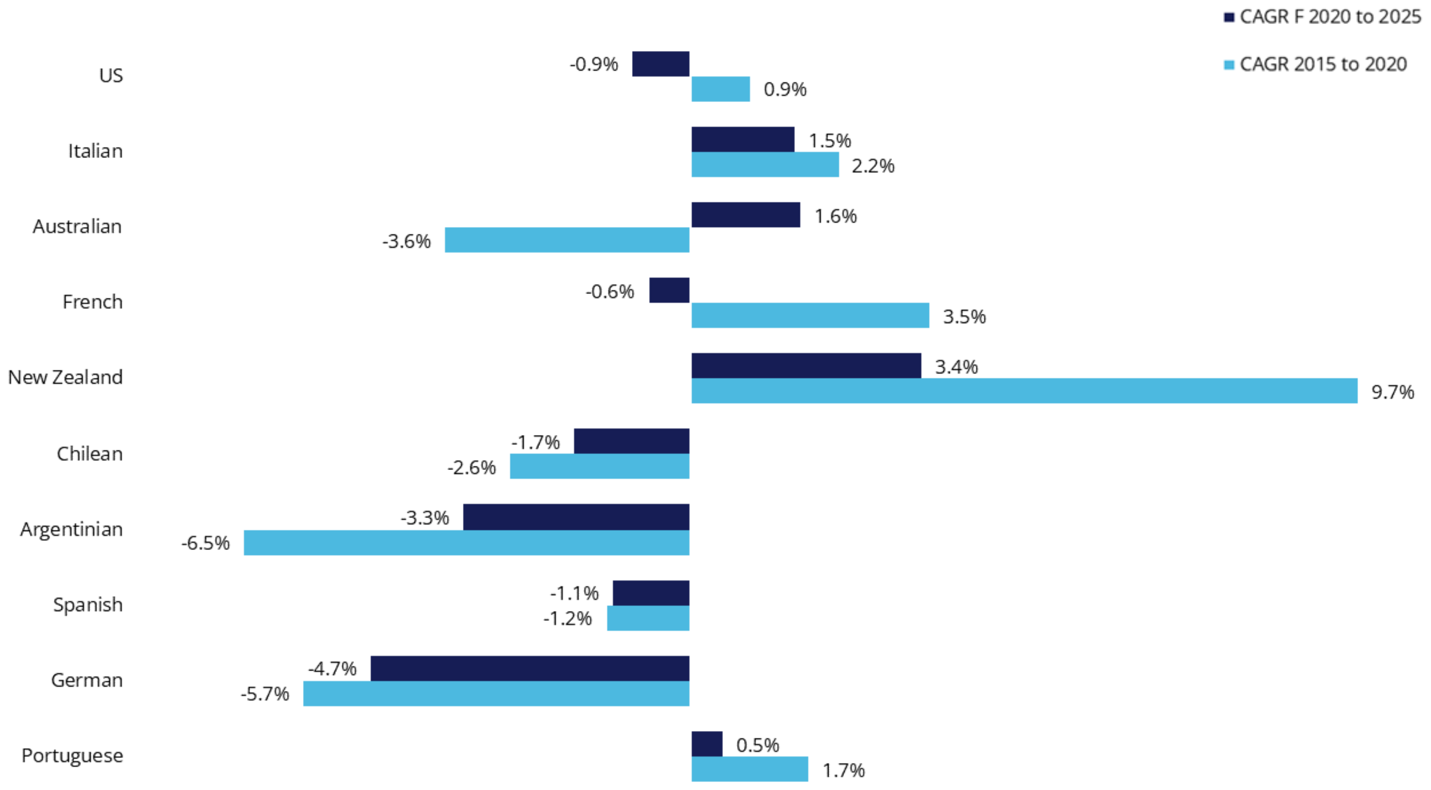
US DEEP DIVE

Italian, New Zealand and Portuguese wine to continue to grow more to 2025

Still wine forecasts by origin

Historic and forecast volume growth by country of origin

Five-year CAGR %



Q: What do market experts say?

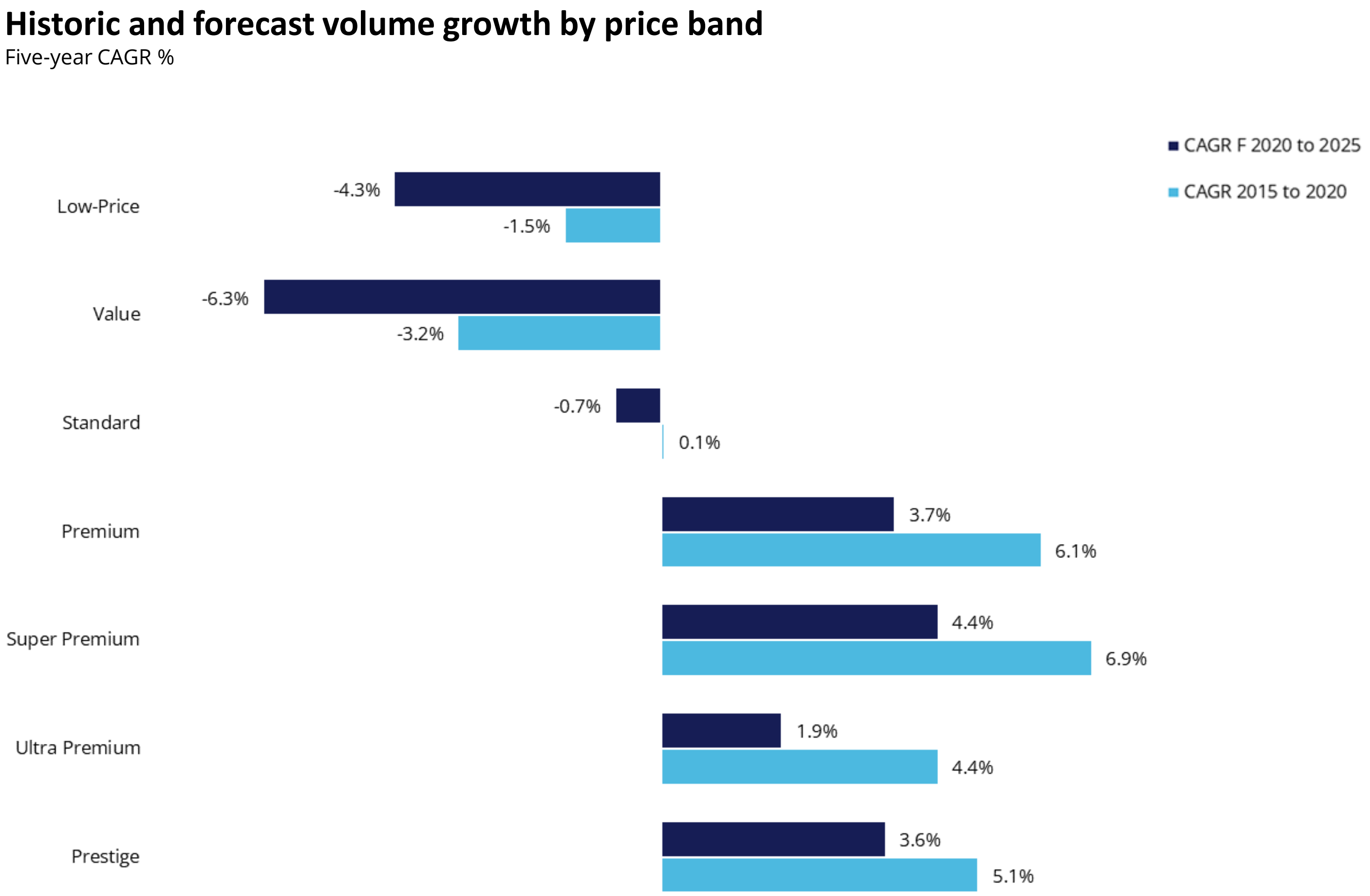
"The industry is in reasonable balance in 2022, but we know that supply chains are under huge stress. [Countries] that can keep their costs under control will do better; undifferentiated brands without pricing power will suffer."

Online retailer, US

Source: IWSR

Significant premiumisation has taken place in the market, with premium-and-above price brands recording notable growth in volumes

Still wine growth by price band



Source: IWSR

Q: What do market experts say?

"We are engaging with our market very differently [compared to pre-pandemic]. I'm optimistic about the coming year."

Wine producer, US

CONSUMER TRENDS 2022

Millennials driving TBA, though with stronger moderation motivations

Gen Z and younger Millennials leading the moderation charge

Consumers who say they are "moderating their alcohol intake", by market and demographic

% saying they are moderating their alcohol intake
Base = All regular wine drinkers in Australia, Belgium, Canada, Ireland, Japan, Netherlands, Switzerland, UK and US (n≥700)

		Gender		Age		
	All wine drinkers	Male	Female	LDA-34	35-54	55+
Switzerland	**58%**	58%	57%	59%	58%	57%
Netherlands	**54%**	55%	53%	62%	52%	50%
Ireland	**49%**	49%	48%	56%	50%	43%
Australia	**46%**	47%	45%	56%	43%	40%
Belgium	**41%**	41%	40%	50%	44%	34%
UK	**39%**	38%	39%	56%	38%	29%
Canada	**37%**	36%	38%	47%	36%	29%
US	**36%**	39%	32%	49%	41%	21%
Japan	**36%**	36%	36%	40%	39%	33%

LDA = Legal drinking age . Green / Red: Statistically significantly higher / lower than all wine drinkers in each market at a 95% confidence level. Source: Wine Intelligence, Vinitrac®, October 2020 (n≥700), Australian, Belgian, Canadian, Irish, Japanese, Dutch, Swiss, UK and US regular wine drinkers

Sustainability in wine yet to gain consumer momentum

Opportunity Index ranking varies by market, with organic wine stronger in Sweden and South Korea

Global alternative wine opportunity index 2022: Core market comparison

		2022 global opportunity index (n=17,832)	Australia (n=1,000)	Canada (n=1,834)	South Korea (n=1,501)	Sweden (n=1,000)	UK (n=1,000)	US (n=2,000)
1	Natural wine	52.9	50.7	46.6	42.8	44.7	41.6	53.9
2	Organic wine	49.4	41.1	47.5	51.6	65.8	44.2	48.5
3	Sustainably produced wine	45.4	42.7	43.0	40.1	46.4	44.9	42.9
4	Environmentally friendly wine	43.3	39.4	37.0	47.2	41.5	42.2	42.9
5	Fairtrade wine	39.7	35.2	36.4	36.3	48.7	52.7	38.6
6	Preservative free wine	38.9	39.0	35.8	30.8	34.5	28.7	38.0
7	Wine from a carbon-neutral winery	37.0	36.3	35.1	32.5	32.3	33.4	38.4
8	Sulphite free wine	35.0	34.6	37.2	30.3	31.3	32.1	37.5
9	Pet Nat (Petillant Naturel)	33.1	30.5	30.1	23.6	26.2	21.9	32.5
10	Biodynamic wine	31.8	33.8	27.8	31.0	30.9	26.4	33.7
11	Orange / skin contact wine	31.6	27.2	28.2	28.9	27.1	30.9	33.6
12	Vegetarian wine	27.7	28.9	24.5	22.2	21.3	25.1	30.3
13	Vegan wine	27.4	27.5	25.1	26.4	26.3	27.8	26.6

Organic wine has relatively more opportunity in Sweden and South Korea

The US offers relatively more opportunity for sulphite free and orange wine

Base = All global wine drinkers from Australia, Argentina, Brazil, Canada, China, Germany, Hong Kong, Ireland, Japan, New Zealand, Portugal, South Korea, Singapore, Sweden, UK, US (n=17,837), weighted by adult regular/ imported wine drinking population
Green / red: +2 or -2 index score compared to global average
Source: Wine Intelligence, Vinitrac®, Oct '21, (n= 17,837), Global regular wine drinkers

Interest in cannabis-infused wine remains subdued in US and Canada

Agreement with the following cannabis-related statements

	Canada		USA	
	2021 (n=1,834)	vs '20	2021 (n=2,000)	vs '20
I am using cannabis products	**31%**	⬆	**31%**	➡
I think cannabis products are a good alternative to alcoholic beverages	**30%**	⬆	**34%**	➡

Cannabis-infused wine product health metrics

	Canada		USA	
Base = All regular wine drinkers	2021 (n=1,834)	vs '20	2021 (n=2,000)	vs '20
Awareness	**11%**	➡	**13%**	➡
Purchase	**2%**	➡	**4%**	➡
Base = Those who have heard of cannabis infused wine				
Conversion	**21%**	➡	**33%**	⬆
Consideration	**57%**	➡	**62%**	➡
Affinity	**52%**	➡	**57%**	➡

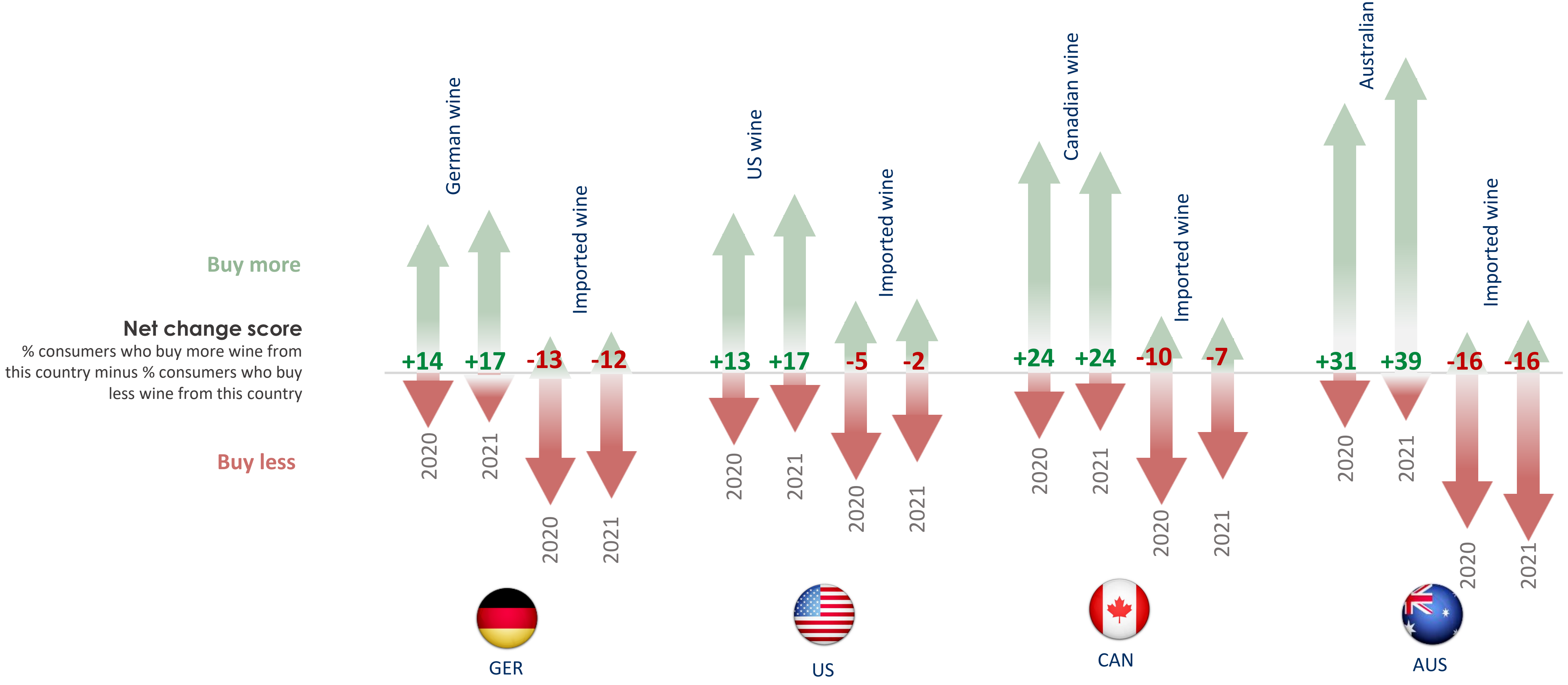
Base = All US regular wine drinkers (n=2,000), All Canadian regular wine drinkers (n≥1,013
⬆ / ⬇: Statistically significantly higher / lower than Oct '20 wave at a 95% confidence level
Source: Wine Intelligence, Vinitrac®, Oct '20, Oct '21, (n=2,000), US regular wine drinkers
Source: Wine Intelligence, Vinitrac®, Oct '20, Oct '21, (n≥1,013), Canadian regular wine drinkers

Pandemic driven shift towards localism now established

Shift towards local wines grow year-on-year

Country of origin change in purchase **July 2020 vs July 2021** compared with pre-pandemic behaviour

% who have changed their purchase behaviour of each place due to the impacts of Coronavirus
Base = Those who are aware of each place



Source: Wine Intelligence Vinitrac® Global, July 2020, July 2021, n>=1,000 regular wine drinkers in each market

Accelerated shift towards localism

General attitudes towards sustainability:

% who agree with each of the following statements

I try to buy food that is grown or produced locally

65%

64%

58%

49%

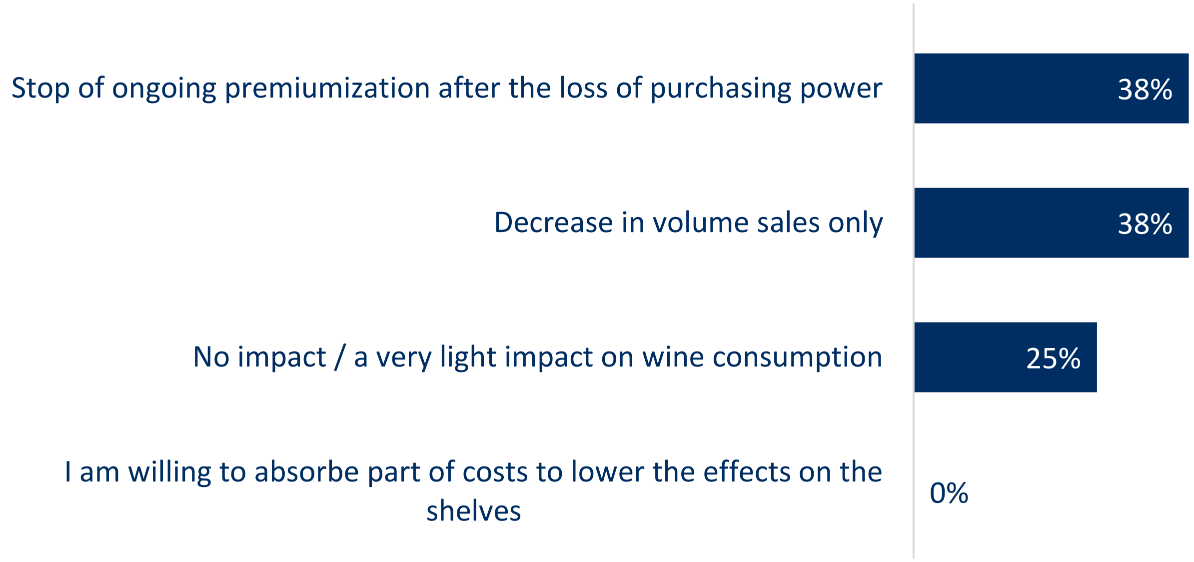
Base = All UK, US, Canada and US regular wine drinkers (n=1,000 / 2000)

Source: Wine Intelligence, Vinitrac®, Oct '21,

INSIGHTS FROM THE TRADE

The majority of the US trade expect an impact

Q: Which is the forecasted impact of surging inflation in the US?

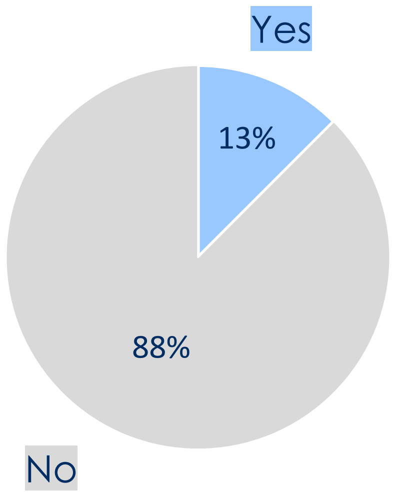


Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022, n=13

Premium Italian wine faces highest risk of being shortened

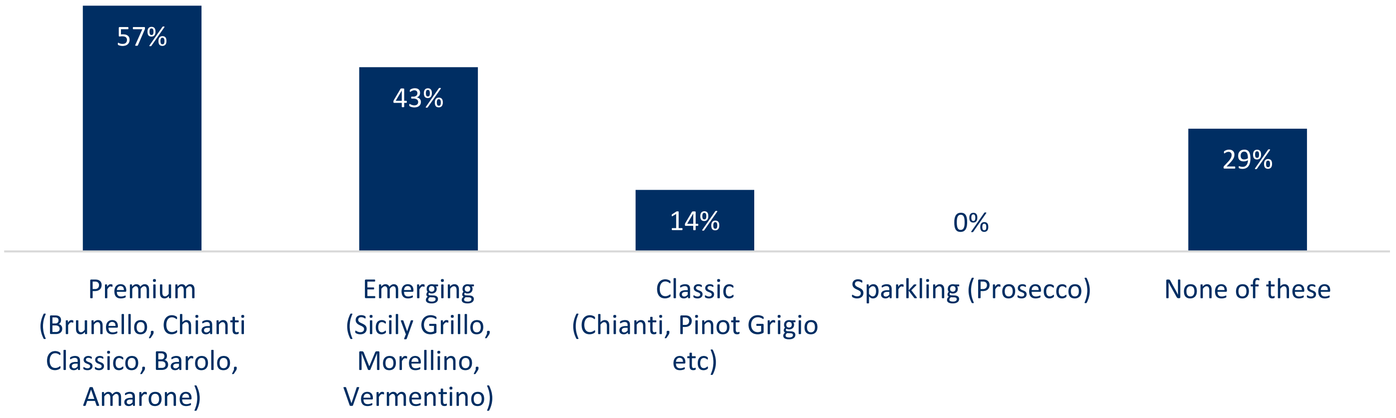
Q: "White table cloth" restaurants are the primary purchasers of fine premium wines. Many of these restaurants sold their cellar inventory during the COVID shutdown to obtain a cash flow.

Do you think these restaurants will restock their cellars to the same extent as before?



"No"

Q: "Which kind of Italian wine list could risk to be shortened?

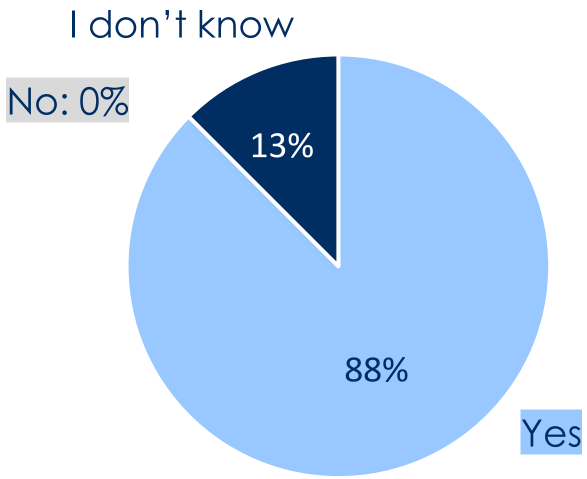


Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022

“Classic” wine market forecasted to shrink in the US

Q: The “baby boomer” generation traditionally prefers wine and consumes a large quantity of the market share in the U.S. But as this generation is getting “lighter”, the new ones seem to “use wine when needed”, as part of a mixed portfolio of alcoholic beverages.

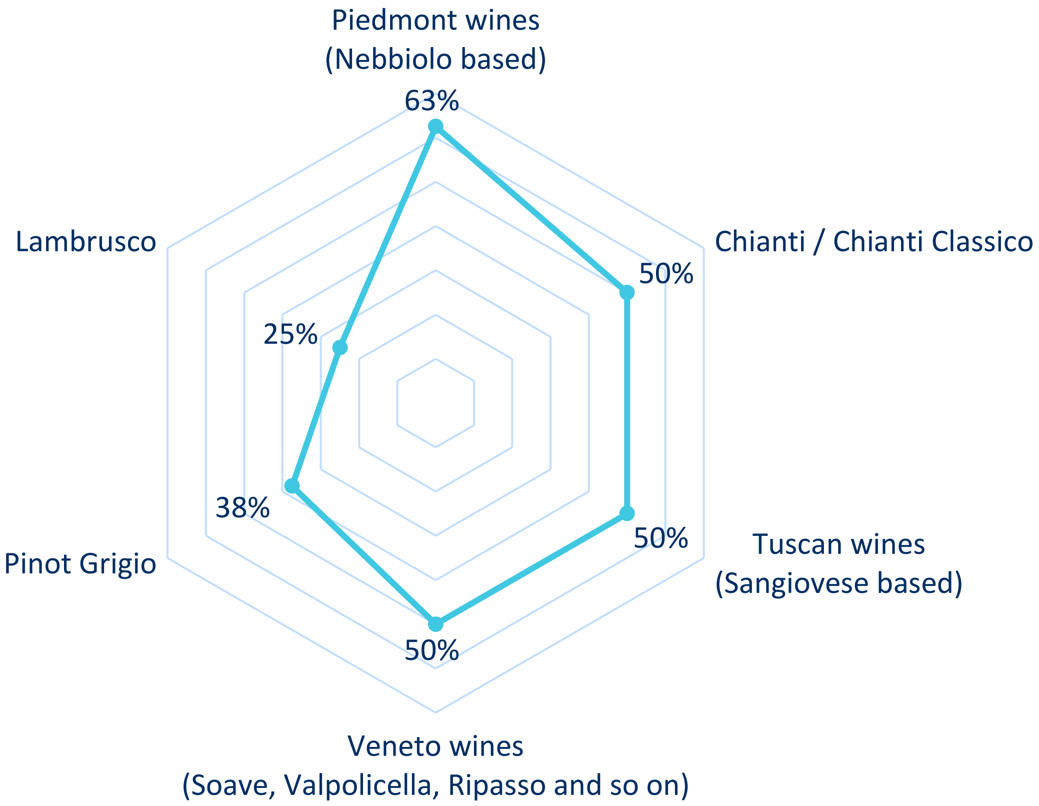
Is the “classic” wine market in US forecasted to shrink?



Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022

Piedmont wines most likely to be affected by generational gaps

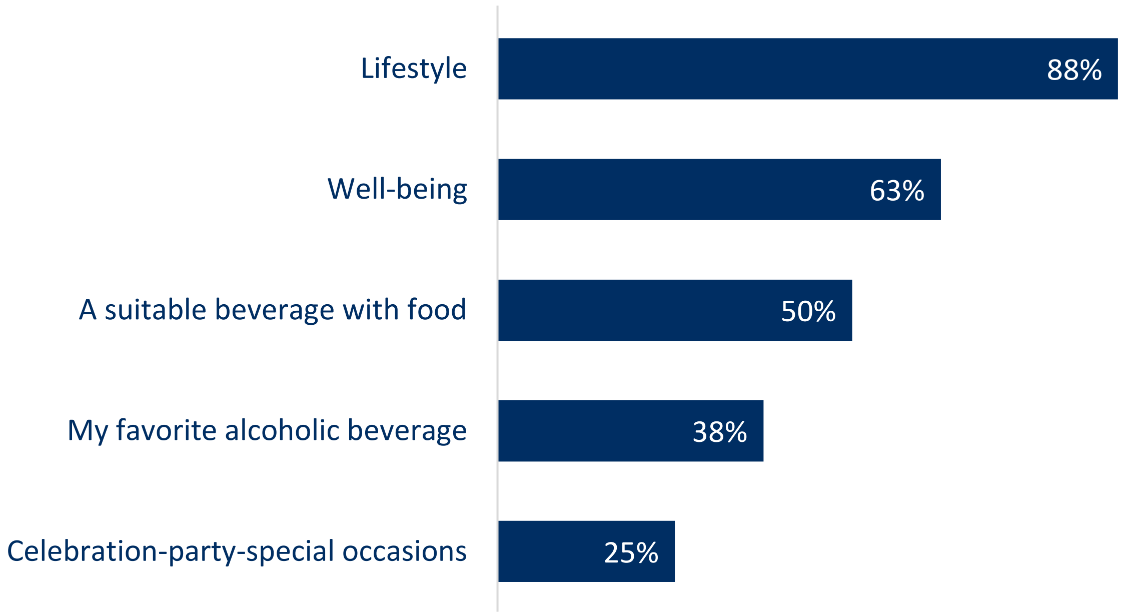
Q: Which Italian wines could be more affected by generational gaps?



Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022

Lifestyle and well-being expected as top motivators amongst young people

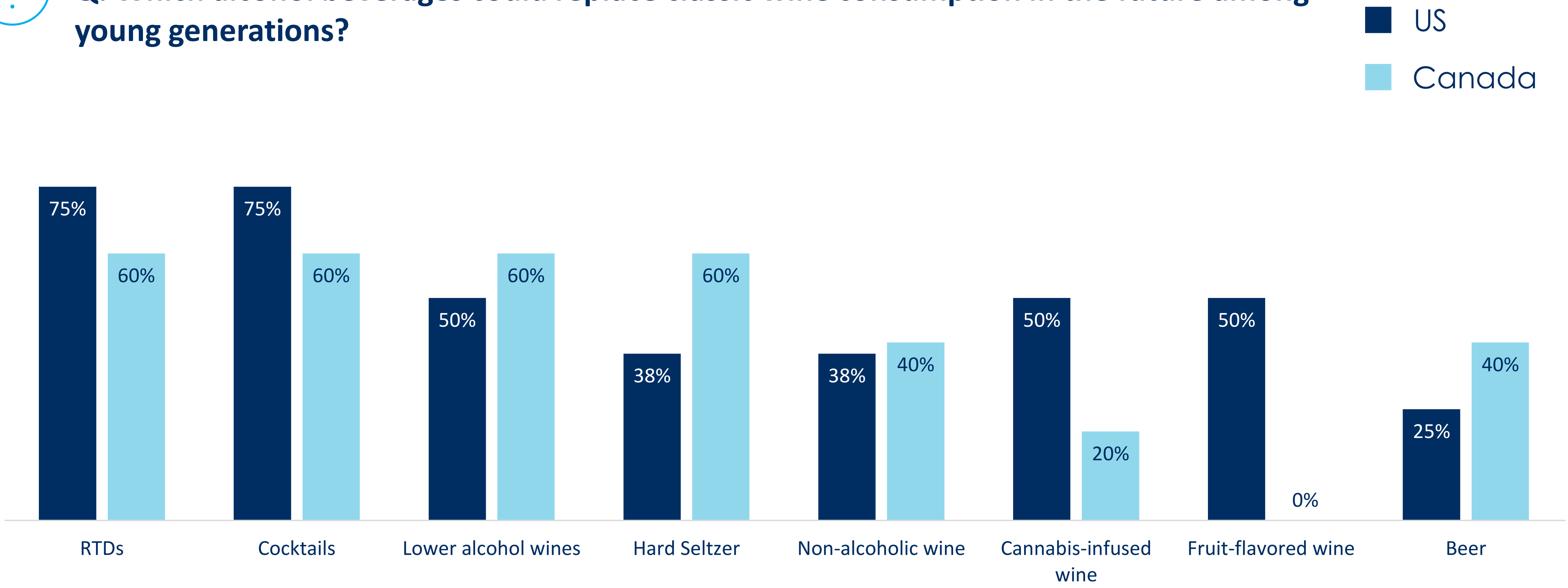
Q: Which keywords do you think will fit more in the future to wine purchasing motivations among young generations?



Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022

RTDs and Cocktails seen as the main competition to wine

Q: Which alcohol beverages could replace classic wine consumption in the future among young generations?

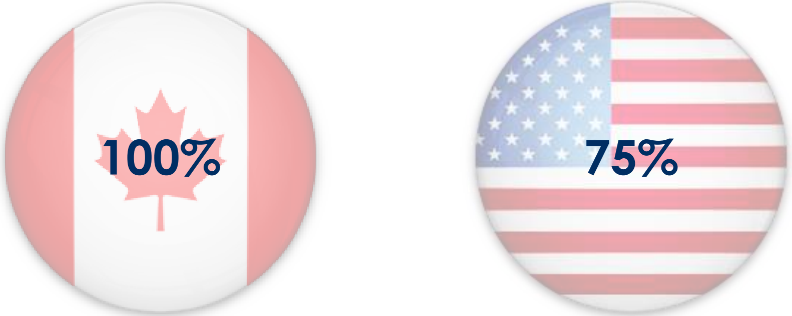


Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022

Italian wines required to establish a clear, common sustainability message on wine labels

Q: Should Italian wines reach a clear/common identity on sustainability on their wine labels, could this help sell more and with higher values?

"Yes"



Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022

Prosecco and Sicily are seen as the wine types/regions with the highest potential in both markets

Q: Which are the 3 emerging Italian wines/types of wines/varietals/regions which could get success on the market in the next five years?

1st Prosecco

2nd Sicily

3rd Piedmont / Chianti / Franciacorta / Alto Adige / Umbria

Source: Wine Intelligence, online survey amongst trade experts in the US and Canada, March to April 2022