

Today's Choices: U.S. Wine Consumption Trends

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Trends in wine consumption are on the rise. Based on positive results of 2007 adding to thirteen previous years of gains, there is a strong indication that the rate of growth in the wine industry is sustainable and can expect positive, long-term health. This is partly due to the favorable American demographics with the millennial generation (70 million) changing adopting new perceptions to wine. The Millennials are willing to experiment, are brand savvy, and prefer to buy on visual appeal and name recognition rather than winemaking region which lead to the majority of their purchases being imports. Higher priced wines were purchased more by Baby Boomers which coincided with the trend of rapid growth among higher-priced luxury products taking place across all beverage alcohol categories. The Hispanic demographic is also emerging as an important wine consumer group. As Hispanics' tastes and preferences continue to evolve, their consumption of wine is increasing faster than any other ethnicity.

With a growing number of Americans demonstrating willingness to experiment and a growing concern towards sustainability and going green, alternative packaging has experienced more of a trend in acceptability. Additionally, wineries producing "green" eco-friendly products have increased.

Domestic wineries adjusted their pricing in a weakened economy providing a stronger foothold against import sales at least to some degree. With the Australian grape glut, price-cutting allowed growth in Australian imports but the image-damage it caused increased the gap between Australian and Italian imports increasing the lead that Italy has known as import leader due to the many varieties available from Italy which equates to good value even in its high-end wines.

Import trends are seeing gains among Chile, Spain, Argentina and New Zealand. They provide good values to Americans who are demonstrating a willingness to experiment. Export trends have been improved thanks to the weakened U.S. currency with increases in shipment to Canada and the United Kingdom by 7.9% and 10.0%, respectively with overall exports increasing 10.2% in 2007.

The ability of consumers to buy directly from out-of-state is another major change which affected the entire wine-industry. The medium and small producers continue to feel intense competition from imports and large-scale suppliers while the larger wineries prosper.

Consumption Trends

Due to these trends, overall wine consumptions rose to a new all-time high of 3.2% in 2007 to 292.1 million 9-liter cases. Results are mixed among the categories with table wines posting gains at 91.4% making up 267 million 9-liter cases. California is the source of 67.7% of U.S. table wine while 26.5% is imported wines and 5.8% is wine from other U.S. states. The U.S. table wine share by varietal is mixed. Sparkling wines posted gains at 4.7% posting gains while wine coolers (0.1%), dessert & fortified wines (3.3%) and vermouth/aperitif (0.6%) all lost volume in 2007.

All categories of imported wine offerings grew at faster rates than Domestic, with the exception of the Dessert & Fortified segment. Imported wines overall grew 5.1%, while Domestic rose 2.6% (slide 6). Two-thirds of the Imported Wine volume originated from Italy, Australia or France. Wines from Argentina grew 66.9% in 2007 indicating a gain in favor among U.S. consumers. Chile grew 13.0% in 2007. Champagne & sparkling wine gained 1.9% to end the year at 13.6 million cases, its sixth consecutive year of growth. Imports climbed at a faster rate than domestic. Dessert & fortified wine sales dropped again in 2007 with small areas of growth within the category that saves it from overall decline. The

category decreased 0.6% to 9.5 million cases in 2007. Imports decreased 1.8% while domestics dropped 0.5%. Imported ports, tawny and sherries are continuing to gain popularity as after-dinner drink options. Vermouth/Aperitif declined again in 2007, falling 2.8% to 1.8 million cases. Both domestics and imports lost volume at similar rates last year.

Increased consumer spending on wine in both the on- and off-premise channels in 2007 mirrored the increase in consumption. Total wine retail dollars climbed to \$27.9 billion last year. The on-premise share of the retail dollar has grown from \$8.1 in 2000 to \$14.3 billion last year, a 76.1% increase. This mirrors the trend in Americans drinking wine during their dining experience along with the increase in premium wine purchasing. Spending in the off-premise area grew 36.3%.

Texas Wine Consumption

Total wine consumption in Texas increased by 1.25% in 2007 (with sales of 13,847,390 9-liter cases). Wine consumption by category in Texas ranked table wines the highest at 12,525,220 9-liter case followed by champagne & sparkling wine at 791,400 making a 2.1% gain, which appears to mirror the national trends. Dessert & fortified wine also presented gains of 1.9% (457,880 9-liter cases) while Vermouth/ Aperitif showed a decline of 1.8% (65,900 9-liter cases). Wine coolers continued to lose ground declining 17.8% at 6,990 9-liter cases for 2007. Domestic wines represent the majority of wines consumption in Texas at 72.79% with imports making up 27.21%.

Applications of Research

Based on the annual compound growth rate (ACGR), overall wine consumption is expected to increase from 292.1 to 321.5 million cases by 2012. Table wine is expected to lead the growth (+2.1% over the next five years), followed by champagne & sparkling Wine (+1.6%). Dessert & fortified Wine (-0.9%) and Vermouth/Aperitif (-1.9%) are both expected to decline slightly, with imports continuing to outpace domestics. If Texas follows this pattern, Texas wine consumption should expect to see similar growth patterns.

References

Beverage Information Group. (2008). *The beverage information group's 2008 wine handbook*. Norwalk, CT: M2Media360.