

Enotria&Coe

WINE TRENDS REPORT
2023/2024

Enotria&Coe

SETTING THE LANDSCAPE

2023 was challenging for the wine and spirits industry in the UK, including our business. One of the biggest events of the year was in August 2023, when the government introduced their new alcohol duty regime, which resulted in an overall increase in duty for the industry. Duty on sparkling wines below 15% ABV, decreased by at least £0.19 per 75cl bottle, however duty on still wines increased significantly most by an additional £0.44 per 75cl bottle.

The duty increase on alcohol, together with general high inflation elsewhere and cost pressures felt by many businesses, contributed to a reduction in consumer confidence and discretionary spend. Consumers have subsequently responded by going out less and when they do venture out, they are

reducing order volumes and spend, whilst prioritising special occasions and quality.

Looking forward to 2024, as we entered the year, the Panama Canal and Red Sea crisis created further supply chain disruption and the latter is expected to impact stock availability for the rest of this year, as well as driving up global distribution costs and wine prices as a result.

That being said, there are some positives on the horizon. UK GDP is expected to improve modestly by 0.8% in 2024, and then 1.9% in 2025. Fuel duty has been frozen at the current level for another year, which will benefit logistics costs. Alcohol duty was due to rise by 3% from August 2024; however, following the government's March Budget announcement duty is now set to be frozen until February 2025, which will

definitely benefit the on-trade. We continue to lobby government to request that they refrain from further planned changes to the way duty is applied to the wines and spirits sector in the UK in 2025, and we hope that they see sense and approach things with fairness across the board.

It is increasingly challenging to predict how all of this will impact consumer behaviour in 2024, but we do expect quality to continue to be an important consideration. Consumers are now more likely to pay more per average serve, increasing the focus on the premiumisation. In addition, the 2023 August duty increases for still wines with an ABV above 10% have driven an increasing demand for lower alcohol wines – boosting the trend that we were already seeing for Low &

No alcohol products driven by health benefits.

The following report highlights what we see as the key trends for the upcoming year, which we hope gives you plenty of food for thought. I and the entire Enotria&Coe team wish you all the best for a successful year ahead.



Julian Momen



Enotria&Coe CEO, Julian Momen



M E T H O D O L O G Y

We analysed the volume of Enotria&Coe's wine sales from January to December 2023 (inclusive).

We then asked our Buyers to use their expertise to reflect on 2023 and look forward to 2024 to identify key trends from the data and the broader market.

UK INDUSTRY TAKEAWAY

The cost-of-living crisis remains the key reason for consumers visiting the trade less often. Factors such as cost of living increases, price increases in eating and drinking out, and less disposable income than usual have the biggest effect on this.



Sales

Slowed down for wine as drinkers and businesses face cost pressures



Volume Sold

Shrunk by -5% from a year ago as businesses and consumers face cost pressures



Off Trade

Stabilised from the effects of the pandemic, but now shoppers face cost pressures



Champagne

Champagne sales in the on trade slipped further. London and Hotels continue to stand out as primary hubs for Champagne consumption



Cost Pressures

14,000 premises closed across the UK between March 2020 and June 2023. There has been a 31% drop in the numbers of sites over the last 20 years



Quality

Remains important despite financial constraints on consumers

**WSTA Market Report September 2023*

**CGA Cost of Living Consumer Pulse (998 UK&I Consumers) October 2023*

REVIEWING 2023 MARKET: MACROECONOMIC

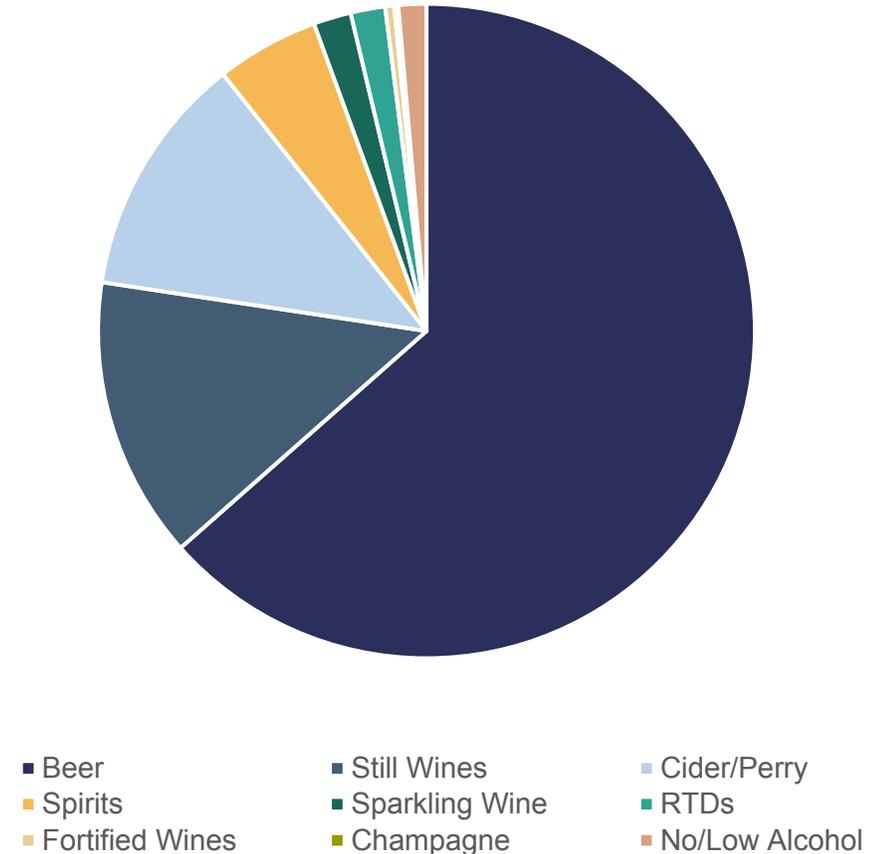
UK Wines & Spirits Market 2023: £23.8bn (-2% YoY)

- Wine sales were declining in Off Trade (£7.6bn, -3% yoy), with Champagne in steep decline (-14% yoy) – although overall +9% since 2019
- Wine value in On Trade was flat overall (£2.6bn); Red (-4% yoy) and Champagne declining; White (+2% yoy) and Rosé (+3% yoy) in growth
- Spirits value was in decline across the market (Off Trade -7%; On Trade -1%); led by the bursting of the Gin bubble (-14% yoy)
- Low & No was the only category that saw growth (+10% yoy, with Off Trade +7% & On Trade +26%)
- Historically high inflation and duty increases in August 2023 exacerbated cost pressures and contributed to reducing consumer spend
- UK GDP growth is, however, expected to improve modestly in 2024

TRENDS

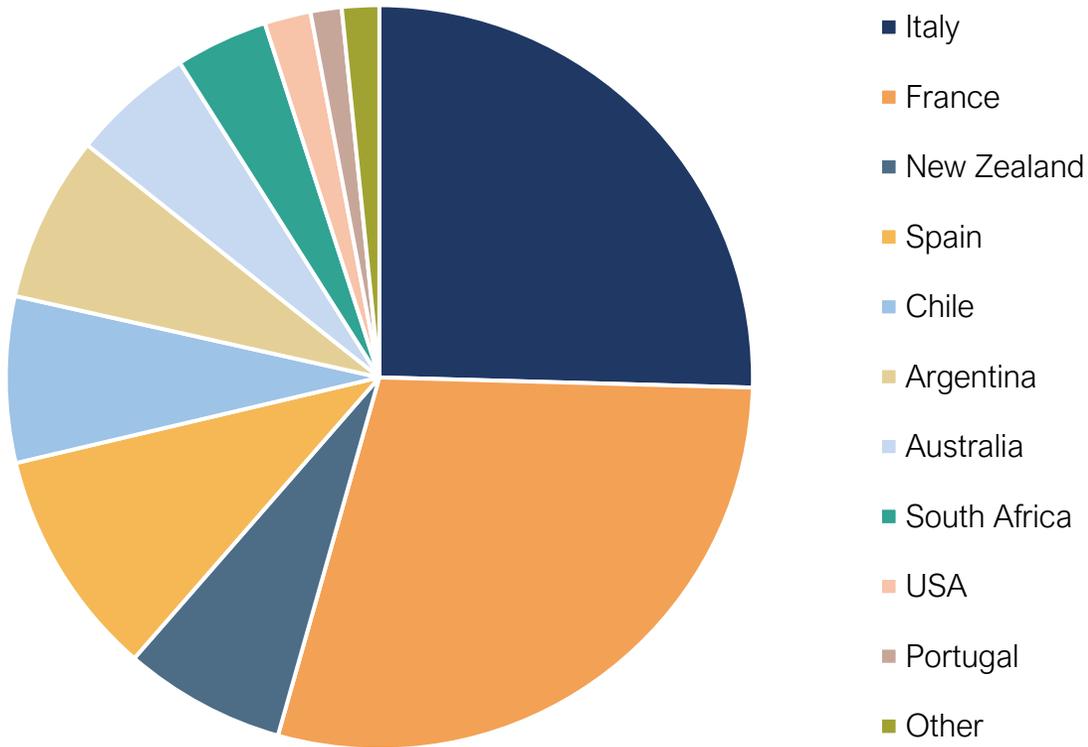
- Significant trend towards localisation, due to increased numbers of consumers working from home
- Consumers are off-setting increased prices by going out less and reducing order volumes
 - However, they are prioritising special occasions, like Christmas. This is reflected in Christmas bookings being ahead of this time last year
- Quality is still important, despite financial pressures. Consumers now expecting to pay more per average serve, increasing the focus on the premiumisation
- Experience-led venues are a key emerging segment

UK Market Volume
(000s HL)



WHILE ITALIAN WINES STILL LEAD E&C'S WINE SALES VOLUME, TRADE-OFFS HAVE OCCURRED FOR FRENCH, SPANISH AND NZ WINES

E&C % of on-trade wine sales volume by country of origin



Italian wines make up over a third of Enotria wine sales volume and continue to dominate the demands we see from customers. Enotria's sales volume of French wines have seen a proportional increase and Spanish wines are also proportionally on the up.

ITALIAN TRENDS

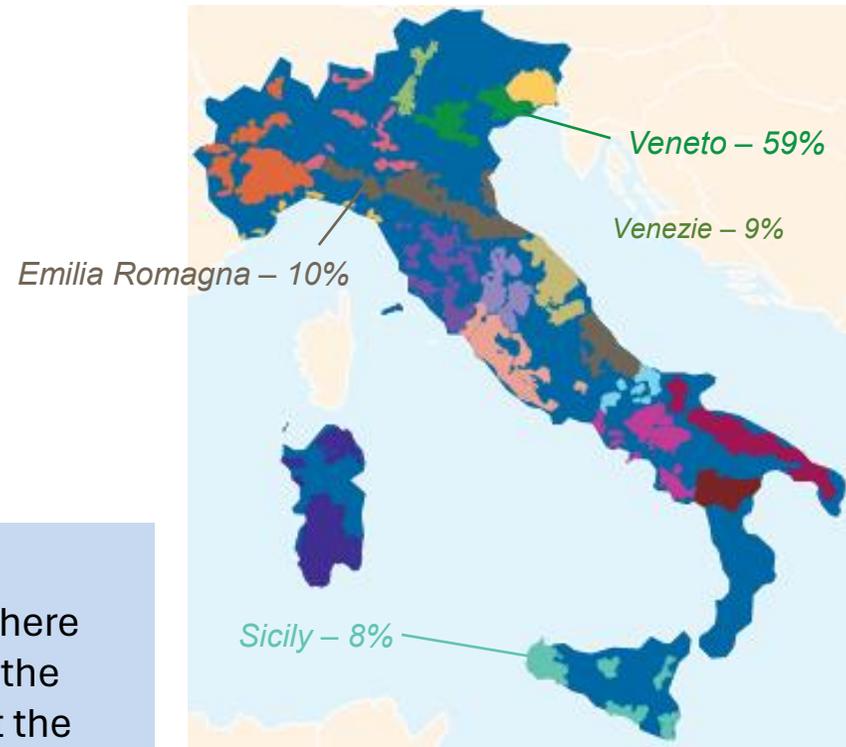


Barolo

A generational shift is well underway in Barolo. There is incredible determination to look after the biodiversity of the region, and this extends to the varieties planted, with newfound adoration for grapes once considered irrelevant.

Central Italy

The Super Romans are here and ready to challenge the Tuscans, particularly at the second-wine price point.



Re-discovery

Continued internationalisation of the Italian vineyard, running alongside a growing confidence and re-discovery of traditional or previously underestimated indigenous varieties. A better understanding of how to cope with changes in climate.

Alta Langa

Alta Langa is rapidly gaining global relevance as an alternative to Champagne, while the Derthona appellation is emerging around the town of Tortona with its native Timorasso grape as the "Barolo Bianco."

SPANISH TRENDS

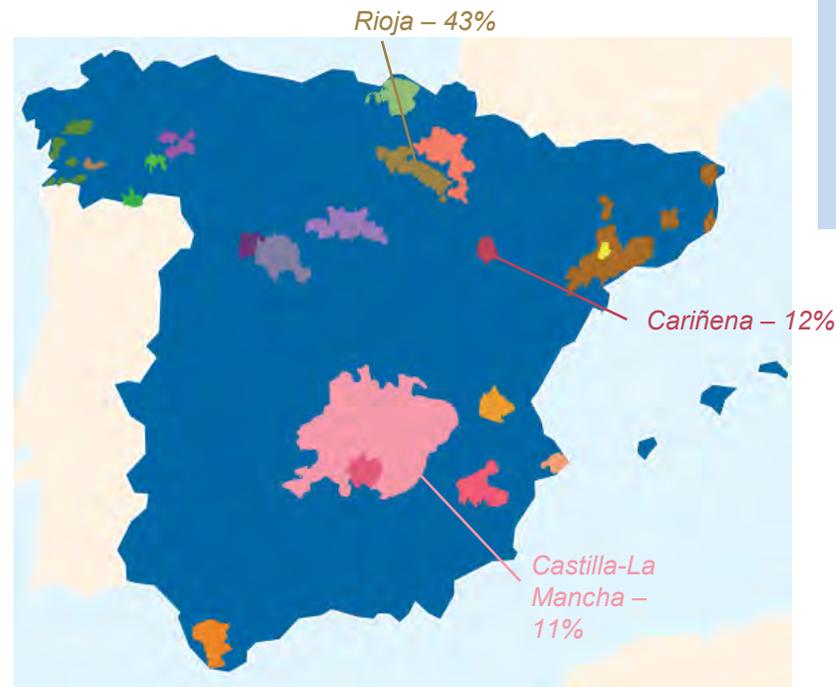


Best in Class

Winemakers to explore: Juanjo and Carlos Cerdan in Jumilla, Elias Lopez in La Mancha, Eduardo Eguren in Rioja, his father Marcos in Toro, Jaume and the late Xavier Gramona in Sant Sadurni. All of these are pushing the boundaries of what has been previously been accepted.

Galicia and Sparkling

The whites of Galicia, both inside and outside of Rias Baixas, continue to grow in popularity. Sparkling wines, both Corpinnat and Cava, can be among the best in the world.



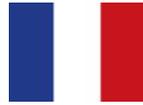
Rioja

The exploration of Rioja is something that is certain to yield results and premiumise in. The new Rioja Garnacha super cru, Cordovin, is unique in the world for its high concentration of centenarian Garnacha vines.

Warm Climates

The current fashion is now headed for the classically warm climates of the south Mediterranean, where people are exploiting old vines at altitude to craft fresh and vibrant wines that are a truly modern representation of what Spain has to offer.

FRENCH TRENDS



Landscape

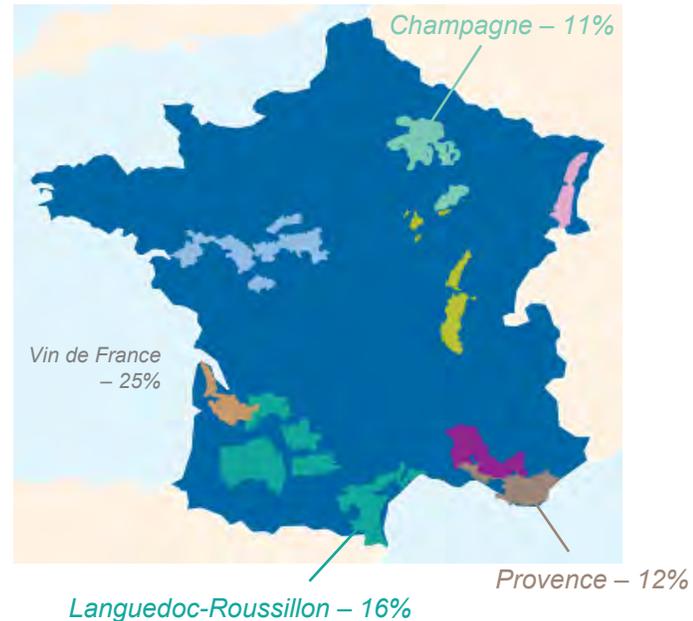
France continues to evolve and develop as the producer of some of the world's greatest wines. With international demand for Bordeaux and Burgundy showing no sign of diminishing, sourcing value in these regions becomes increasingly complex, but it's a treasure hunt that we relish.

Packaging

Lighter bottles, removal of capsule in young wines, kegs e.g. Aubert & Mathieu removal of capsules. Great sustainability efforts.

Loire

As the climate is warming, there is increasing interest in light Loire reds made from Pinot Noir, Cabernet Franc and Gamay.



Expression

Sheltered by the densely forested Vosges Mountains, Alsace is celebrated for its aromatic white wines. Unlike Germany, the winemaking philosophy here is to ferment all the grape sugar into alcohol, resulting in dry, full-bodied wines. There is no better expression of this than the wines from the world renowned Trimbach.

KEY TRENDS: GRAPE VARIETIES



**GRENACHE/
GARNACHA SALES
UP BY ALMOST 3%
SINCE 2021**

**GRENACHE/
GARNACHA NOW
CONTRIBUTES TO
7.34% OF ON
TRADE WINE
SALES (ALL
COLOURS) AND
5.56% ON TRADE
RED WINE SALES**

- **Grenache/Garnacha** is everywhere! It is the new hot variety in Australia. From light and juicy styles to concentrated wines made from ancient old vines. The styles are fresh and fruity with low tannin. Despite having more colour (anthocyanin), it actually has less phenolic compounds than Pinot Noir. (*Jackson R, Wine Science, 2000.*)
- Spanish Garnacha premium growth – the most significant growth across the 3 years
 - **Still wine sales in on-trade = biggest increase of market share of any grape variety – 1.18%.**
- Fruity and lighter styles of Grenache/Garnacha emanating from various regions. A reduction in the use of new oak, favouring older and larger oak vessels to preserve primary tastes and aromas, to the emergence of some world class white wines in what has previously been a country renowned for its reds.
- The current fashion is tending towards the classically warm climates of the south Mediterranean, where people are exploiting old vines at altitude to craft fresh and vibrant wines that are a truly modern representation of what Spain has to offer.
- In Australia, Riesling from the Clare and Eden Valleys has been hugely successful in the past year. It is the most premium wine grape in Australia and the most sold at Enotria.

KEY TRENDS: STYLE

Lighter, fresher, more elegant styles of wine becoming more prominent.

Due to the duty increase as of 1st August, we have seen a shift towards lower ABV wines, and we expect to see a significant trend in the next 12 months.

Using growing/picking dates to produce lighter reds as well as whites in classically hot regions such as southern Italy, southern Spain etc.

As the climate is warming, there is increasing interest in light Loire reds made from Pinot Noir, Cabernet Franc and Gamay.



Collaborations getting more popular with young winemakers. e.g. Roquette & Cazes collaboration and Hit Wines, Cuentaviñas and Verum sharing a Rioja vineyard.

Reduction in use of new oak and the big “200% New Oak” wines have vanished.

More experimentation with exiting of DOs and consejo rules. I.e. “de-classifying” to IGP.

Rediscovery – as people look to revive old vine abandoned vineyards and sell for a premium. For example, the Lazio rebirth.

Provence alternatives in the on trade to give a more unique experience.

KEY TRENDS: SUSTAINABILITY

Number of
Organic SKUs:

236

(10% of portfolio
and growing)

Sustainability is now the biggest issue for our customers and suppliers are now generally incorporating this into their business plans.

Organic/Regenerative viticulture is now the new standard. Organic wine now makes up 44% of New Zealand portfolio, 17% of Spain portfolio and 13% of Italy portfolio.

PACKAGING

From a customer perspective, BiB, kegs, cans, etc from a sustainability standpoint. Some of our producers are taking huge steps to improve packaging. For example, Aubert & Mathieu who have removed capsules from their bottles and Armagnac Castarede's new Green Gen Bottle.



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KEY TRENDS: SPARKLING

- Sparkling wines continue to grow with a lot of Prosecco Champagne alternatives. Hungary is starting to become known for the Sparkling wines, with our producer Sauska really leading this category.
- We have seen Mosnel growth with producers such as Contratto as well as Italian fizz and premiumisation; Etna, Franciacorta.
- English wine continues to grow as an excellent option - Hattingley Valley for example - and other great Champagne alternatives include Corpinnat and Franciacorta.

↑ SAUSKA
SALES
INCREASED
BY 23% IN
A YEAR

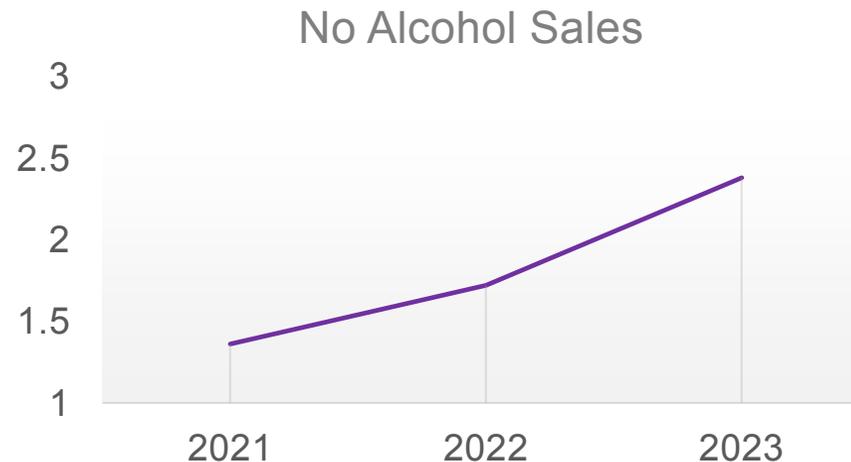


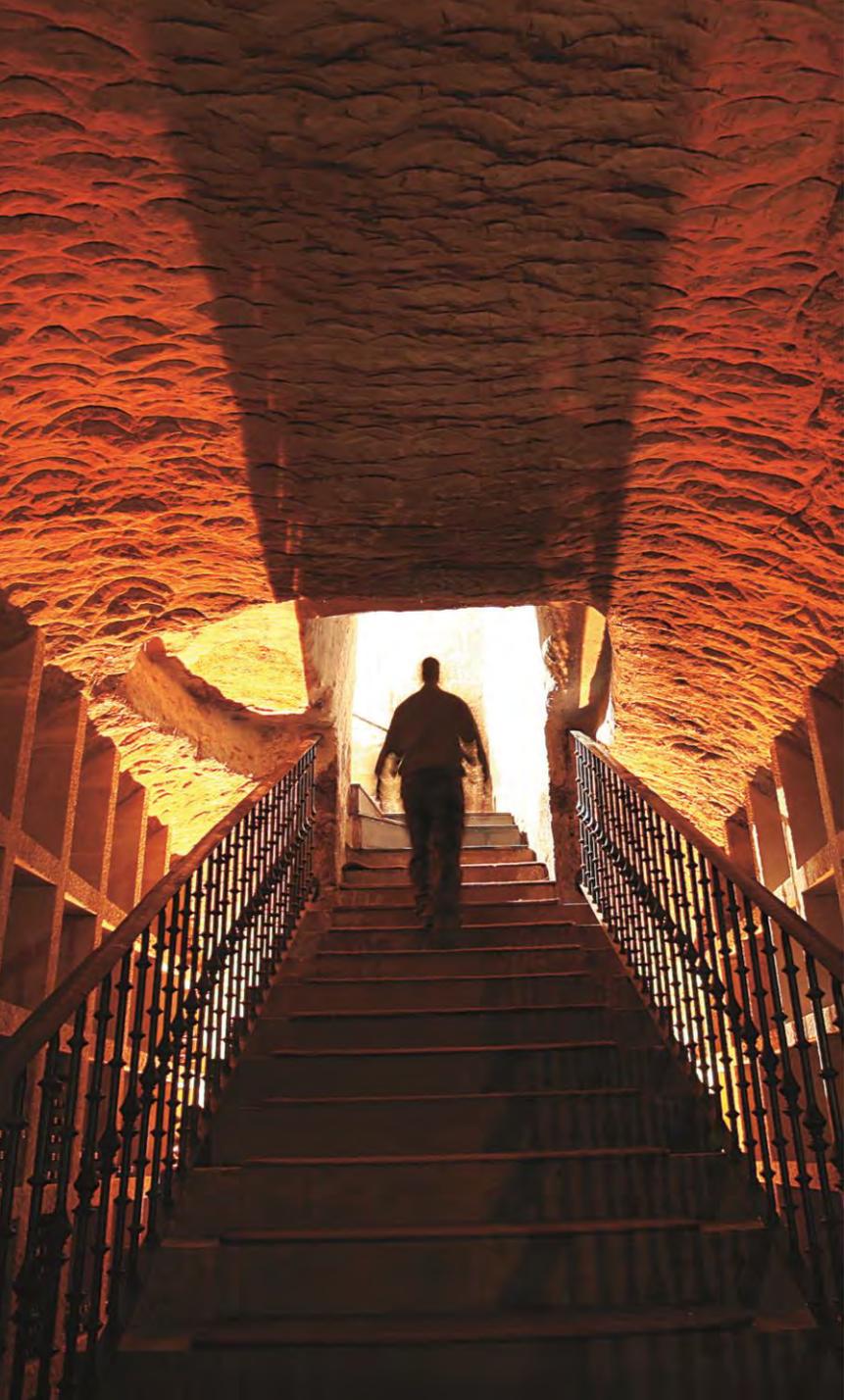
KEY TRENDS: LOW & NO

Low & No continue to rise, although some supermarkets are reporting growth from non-wine equivalents (tea, spirits), but not wine! With new duty rates, we will see many producers trying to shave off a degree of alcohol. Hopefully also good for naturally low alcohol styles, such as German reds and Vinho Verde.

Our producer, Leitz, who specialise in Low & No has seen a sharp increase in sales in the last year.

When it comes to cocktails, wine, fizz and fortified are being used as ingredients.





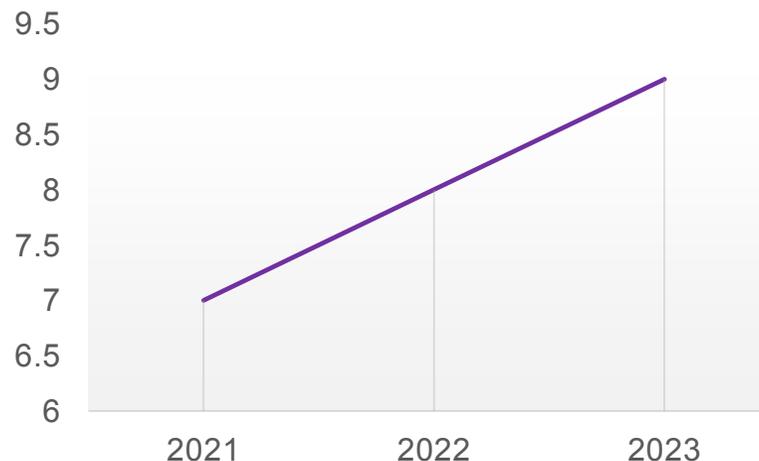
KEY TRENDS: PREMIUMISATION

TRENDS

We are seeing premiumisation across the market with the average bottle price increasing.

At Enotria, in keeping with premiumisation, we have drawn focus to our more premium offerings and fine wine. For example, this year we will be launching our Fine Wine Workshops.

Average Bottle Prices



The average bottle price increased by 29% over 2 years.

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WINE TRENDS REPORT 2023

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