

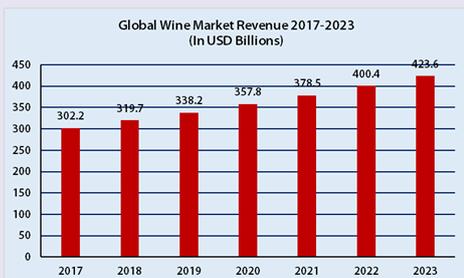
### Wine Industry



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*The sparkling wine market size will grow by 210.54 million litres at a CAGR of 2.0% during 2018-2022.*

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Global wine market revenue, 2017-2023



#### Global Outlook

According to a report by Zion Market Research, the global wine market was valued at approximately \$302 billion in 2017 and is expected to generate revenues of \$423.6 billion by the end of 2023, growing at a CAGR of around 5.8% between 2017 and 2023. The report goes on to add that the wine market is driven by increasing demand for wines due to their health benefits and premiumisation of wine products, coupled with innovation in flavour and more advanced distribution networks globally. Moreover, changing taste and new preferences among consumers, along with increasing demand for new and exotic flavours, such as Riesling wine and other tropical fruit wines are also expected to fuel growth of the wine market in the coming years.



#### Sparkling Wine

According to a report by Technavio, the sparkling wine market size will grow by 210.54 million litres at a CAGR of 2.0% during 2018-2022. The report goes on to add that a key factor driving the growth of the market is increasing demand for premium wines. The demand for superior value and characteristics of wine drives the premium wine variety. The major producers of sparkling wine have started acquiring vineyards to strengthen their premiumisation strategy. The increasing disposable income and aspirational mindsets of middle-class consumers are factors likely to propel the concept of premiumisation. Increasing consumer awareness and knowledge about wine will also fuel the shift toward more expensive wine brands. Thus, the global sparkling wine market is expected to show a positive outlook during the forecast period of 2018-2022.

Globally, the EMEA region will account for the highest growth of this market throughout the forecast period of 2018-2022, as it is the leading producer of sparkling wine with France producing champagne, Spain producing cava, and Italy producing prosecco. Additionally, the UK has seen a significant increase in demand for English sparkling wine.



#### An Evolving Market

Consumption of sparkling wines is booming worldwide. They now account for some 10% of total global wine sales – with no end to the boom in sight. The trend looks even more impressive in terms of numbers; In recent years, sales of sparkling wine have grown to approximately 2.5 billion litres of the approximately 25 billion litres of wine consumed worldwide every year. That's 3.3 billion standard 75 cl bottles of sparkling wine – or 0.4 litres for every person in the world.

While consumption of sparkling wine is growing worldwide, it seems to be levelling off in Germany. Years ago, Germany was the world champion in sparkling wine consumption, with more than five litres per capita and a role as a major distributor of sparkling wine from traditional wine-growing regions in central Europe. But things have changed. The US and Great Britain, which previously focused more on beer than wine or sparkling wine, have gained considerable ground in recent years.

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Furthermore, interest in wine consumption is growing in countries that are new to the wine market. Major players in the sparkling wine industry have posted growth in Asia's emerging consumer markets including China, Japan and South Korea, as well as in several African, South American and Russian regions. Internationally, the market has grown by a few percentage points in the past years. In particular, female customers from the emerging middle class in Asian countries, from North and South America, Africa and Oceania and Australia are responsible for gains and continued growth.



#### UK Sparkling Wine Sales

According to a market report from the Wine and Spirit Trade Association (“WSTA”), nearly 165 million bottles of Champagne and sparkling wine were sold in the UK in 2018, with non-Champagne sparkling wine sales reaching a new high of 146 million bottles, worth £1.5 billion.

Overall, spending has almost doubled since 2013, when combined sales stood at £1.2 billion, although growth has slowed somewhat over the past couple of years. The WSTA said the “lion's share” of the market was taken by Prosecco, but added that the Italian sparkling wine's sales had slowed markedly in recent times, as consumers explored other sparkling wine styles, including English sparkling and Crémant.

A spokesperson for retailer Marks & Spencer said its sales of Crémant had soared by 300% over the past year but added that “Prosecco isn't going anywhere” with sales up 47%. WSTA chief executive Miles Beale said 2018 had been “another sparkling success” for wine producers and added, “UK consumers now have a far greater range to choose from than ever before, including world-class English sparkling wines, Cavas, Prosecco and Crémant.”



#### Increasing Usage of E-commerce to Sell Wines

The evolving landscape of the retail industry is helping vendors develop online strategies to target and retain their old customers and gain new customers. Wineries and vendors that sell their products online or through e-commerce portals are offering lucrative and competitive pricing. Moreover, to make the products more appealing to prospective customers, the design and details of the products is also being enhanced.

This direct to consumer approach is eliminating middlemen such as distributors and hence ensuring competitive prices and increased margins for companies and vendors offering wines. Furthermore, vendors are using online channel partners in the development phase of their products to understand the taste and preference of customers. Thus, the global e-commerce wine market is expected to witness a positive outlook during the next few years.

#### Recent Trends



#### Vegan Wines

There is no doubt consumer demand for plant-based products has rocketed recently. During the winemaking process, egg whites and some fish products are traditionally used when clarifying the wine before bottling.

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To respond to consumer demand, vegan-friendly wines that are fined with non-animal agents such as clay-based bentonite are becoming more popular. Supermarkets have certainly been hopping on this trend, for instance retailer Marks & Spencer now has over 384 vegan-friendly wine options.



#### Going Beyond Glass Bottles

Wine sales are also increasing owing to alternative packaging like cans and single-serving bottles as well as other innovative products. Cans, for example, go to venues where glass isn't allowed, thus appealing to current and new wine fans for a myriad of social occasions, especially during the summer months. They can go places that glass bottles typically cannot, like pools and beaches, and are easily portable in coolers.

Single-serving bottles continue to grow in popularity. For Prosecco, the single-serve format bottles have fared extremely well over the last couple of years, as they are convenient to carry. As for Champagne, Moët & Chandon has also found success with its "minis." "The minis are doing extremely well in summer, especially among millennials.



#### "Drinking In"

Millennials are having a major impact on another trend - "drinking in." Unwilling to pay restaurant wine markups, consumers in general, led by millennials, are increasingly drinking their wine at home. Off-premises consumption now represents more than 80% of overall wine consumption in the US, higher than off-premises consumption of beer or distilled spirits. In other major markets also, more and more people are preferring to drink their wine and spirits at home. This trend is expected to gain further prominence in the coming years.



#### UK Consumer Spending

Britain will see the slowest growth in consumer spending in 2019 in six years, piling even more pressure on retailers, according to a June 2019 forecast from the EY ITEM Club, which produces quarterly UK economic forecasts. The firm expects spending to rise by 1.6% compared to 2018, although that would be faster than the estimated 1.3% growth forecast for the broader UK economy in 2019.

Consumer spending benefited from robust employment growth and a strong pick-up in real earnings growth in the second half of 2018 and early 2019, but the outlook is now weaker, the economic forecasting group said.

"The improvement in purchasing power has meant that consumers have been significantly less affected in their spending decisions than businesses by uncertainties over the economy and Brexit. While consumer confidence in late 2018/early 2019 weakened to the lowest level since mid-2013, perceptions of personal finances and a willingness to spend generally held up much better



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than views of the economy in the UK," said Howard Archer, chief economic advisor to the EY ITEM Club.

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## Key contacts



**GORDON TITLEY**  
Director

**E:** [gtitley@eurovals.co.uk](mailto:gtitley@eurovals.co.uk)  
**M:** 07734 388785



**PETER BACHE, FRICS**  
Director

**E:** [pbache@eurovals.co.uk](mailto:pbache@eurovals.co.uk)  
**M:** 07774 174811



**DAN EGDAR**  
Director

**E:** [dedgar@eurovals.co.uk](mailto:dedgar@eurovals.co.uk)  
**M:** 07827 99332



**JOHN LAWRENCE, MRICS**  
Director

**E:** [jlawrence@Eurovals.co.uk](mailto:jlawrence@Eurovals.co.uk)  
**M:** 07775 444796



**ANDREW DUNBAR**  
Director

**E:** [adunbar@eurovals.co.uk](mailto:adunbar@eurovals.co.uk)  
**M:** 07967 302675



**DAVID ROSS, MRICS**  
Director

**E:** [dross@eurovals.co.uk](mailto:dross@eurovals.co.uk)  
**M:** 07960 511733

### LONDON OFFICE

5 Willoughby Street,  
WC1A 1JD

0207 048 0184

### BIRMINGHAM OFFICE

67 Newhall Street,  
Birmingham, B3 1NQ

0121 236 9992

### MUMBAI OFFICE

Centre Point Jb Nagar  
Vijay Nagar Colony, J B Nagar,  
Andheri East, Mumbai  
Maharashtra 400047, India

Email address  
[info@eurovals.co.uk](mailto:info@eurovals.co.uk)

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