“Wine Opinions”

Wine Australia Trade Report

April 15, 2015

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INTRODUCTION

Wine Opinions is a wine market research company focusing on the attitudes, behaviors, and taste preferences of the segment of U.S. wine drinkers who are the most frequent purchasers and consumers of wine. To this end, Wine Opinions maintains the largest online panel of highly involved wine consumers ever assembled, and a U.S. wine trade panel that includes wine producers, growers, importers, distributors, those who work on-premise and off-premise, members of the wine media, and others. Wine Opinions also undertakes custom research projects such as one-on-one interviews, on-site interviews and evaluations, and other such qualitative and quantitative research as suits the objectives of client projects.

The services of Wine Opinions were retained by Wine Australia to undertake a five-year comprehensive research program. As part of year 1 of this program, Wine Opinions conducted a quantitative survey among the U.S. wine trade to establish a baseline of trade sales and perceptions of Australian wines and assess the outlook for Australian wine on the U.S. market in the future from the trade's perspective.

OBJECTIVES & METHODOLOGY

Wine Opinions fielded a quantitative survey among the U.S. wine trade with the specific goals to:

- ✓ Measure trade perception of current sales of Australian wine and how sales have changed over the past two years.
- ✓ Measure trade respondents' familiarity with Australian wine regions.
- ✓ Obtain trade perceptions of the overall value (price/quality ratio) of red and white Australian wine in key price categories.
- ✓ Determine the importance of factors in selling imported wine.
- ✓ Assess the level of importance of various promotional campaign components.
- ✓ Measure promotional involvement of respondents across import countries.
- ✓ Assess estimations of future growth for Australian wine on the U.S. market overall and by varietal, price segment, and wine type.
- ✓ Gauge Australia visitation rates among trade respondents.
- ✓ Determine perceived barriers and opportunities to grow share of the U.S. market for Australian wines.

Survey respondents were drawn from the Wine Opinions trade panel and also from the trade databases of Wine Australia and of SevenFifty.com. All respondents were sent an email invitation to the survey, with a link to the online survey embedded in the invitation (a copy of the survey questionnaire may be found at the end of this report). Completion of the survey entered all participants into a lottery for various cash rewards. In total, 587 members of the trade participated in this survey, 417 sourced from the Wine Opinions trade panel, 165 from SevenFifty.com and 5 from the Wine Australia trade databases.

All questions were cross-tabulated by:

- ✓ Tier of trade: comparison of distributors and importers vs. on-premise vs. off-premise vs. a “media/other” category that includes media representatives, wine academics and educators, public relations and marketing professions, and retail/restaurant consultants.

- ✓ Australia promotions involvement: those who have attended an event, received a trade email newsletter, follow on social media, have used POS materials, participated in a cooperative promotion or have been on a trade trip vs. those who have not.

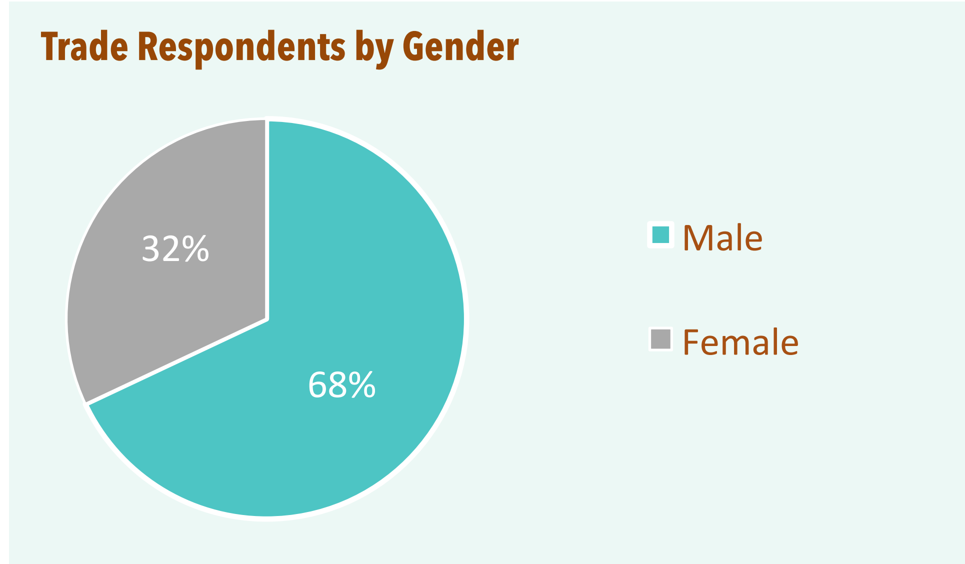
- ✓ Australian wine outlook: those who foresee positive growth for Australian wine on the U.S. market vs. those who predict a decline or are neutral.

- ✓ Where statistically significant results are reported, these have been calculated at a confidence level of 90%. For the overall respondent sample, the confidence intervals ranged from approximately ±2.0% to ±3.4%.

TRADE RESPONDENTS PROFILE

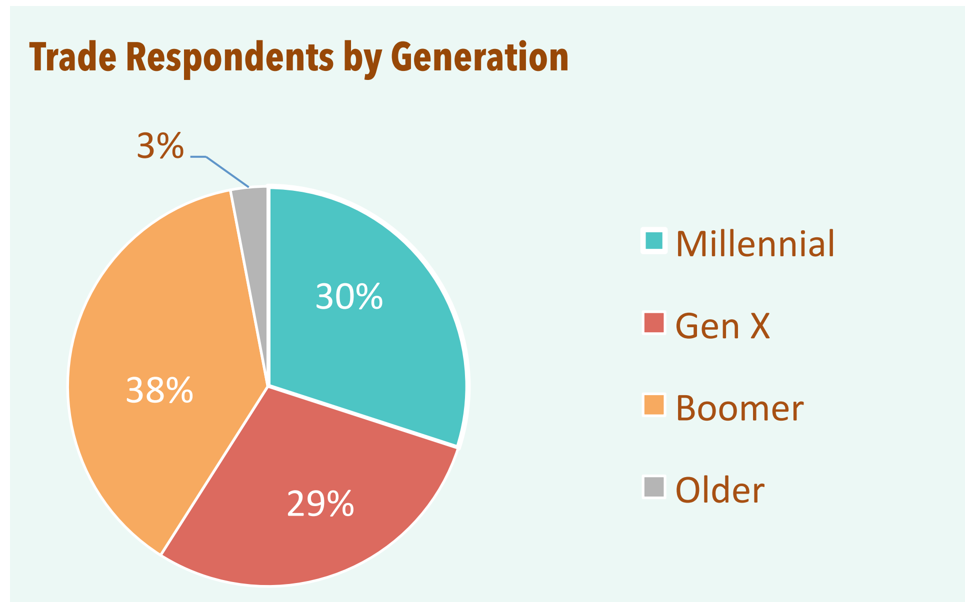
Gender

Survey respondents in total were 68% male and 32% female - a male skew, but in line with previous trade research conducted by Wine Opinions.



Generation

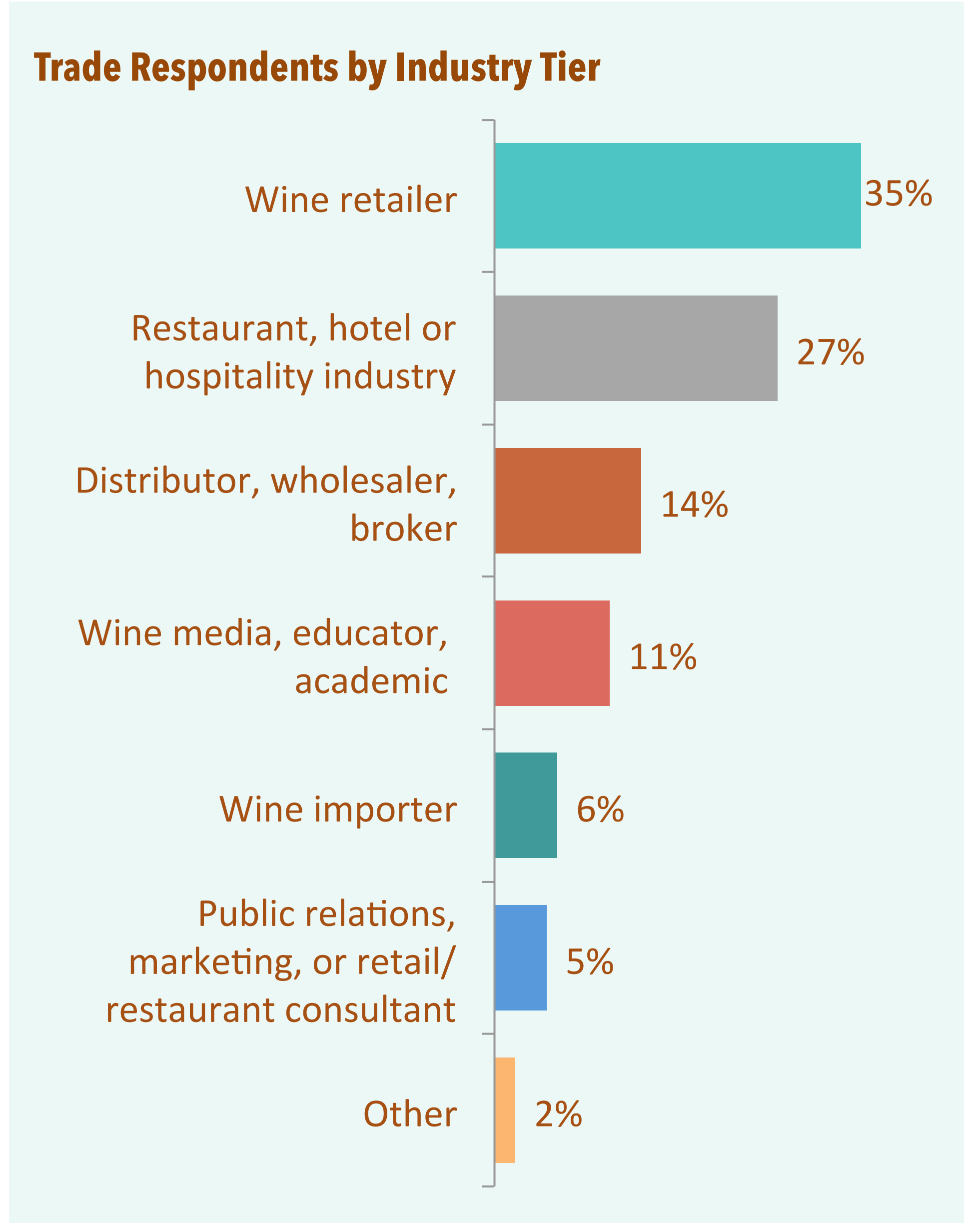
The trade survey respondents were evenly distributed across the Millennial, Gen X and Baby Boomer generations. Some 30% of respondents were Millennials (aged 21 – 38), 29% were of Generation X (aged 39 - 50), 38% were Baby Boomers (aged 51 – 69). The remaining 3% were aged 70 or older.



Industry Tier

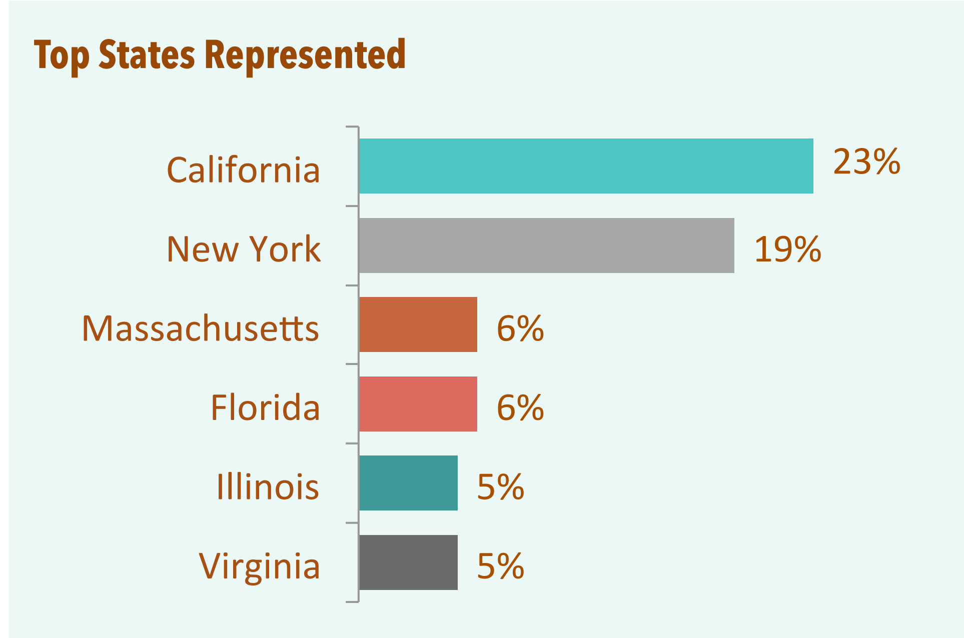
Grape grower, wine producer, and wine trade and regional association professionals were disqualified from the survey to better focus this research on segments of the trade of most interest to Wine Australia. Qualified respondents were distributed across the remaining industry tiers with 35% in the off-premise retail tier, 27% in the on-premise tier, and 14% describing themselves as employed in the distributor/broker tier. Some 6% were wine importers; 11% categorized themselves as members of the wine media, as an educator, or an academic; 5% as public relations or marketing professionals, or retail or restaurant consultants; while the remaining 2% provide services or supplies to the wine trade and were categorized as “other.”

Due to the nature of its business, the SevenFifty.com survey participants bolstered the off- and on-premise segments of the respondent pool by contributing a significantly higher rate of qualified respondents from these tiers than the Wine Opinions panel on its own.



Geography

Respondents represented wine industry businesses in 42 U.S. states and the District of Columbia. A total of 23% of survey participants work in California and 19% in New York, followed by Massachusetts and Florida (6% each), and Illinois and Virginia (5% each).



IMPORTANCE OF IMPORTED WINE SALES DECISION FACTORS

Respondents were asked to rate a series of factors on how important they are in selling imported wine based on their day-to-day business during the past twelve months. They rated these factors on a scale that included “very,” “somewhat,” “not very,” and “not at all” important.

The majority of respondents consider nearly all factors either “very” or “somewhat” important. However, style and flavor profile was rated most important. This was the only factor rated “very” important by a majority of respondents (62%). Nearly half assessed as “very” important consumer trends in purchasing styles, types of wine, or wines from a particular region (49%); and the quality and expertise of the wholesaler or importer representing the wine (47%).

Looking at the next tier of factors in order of importance, approximately eight in ten rated either “very” or “somewhat” important programming to boost margins or affect pricing (80%) and level of inventories (81%).

Consumer use of apps like Drizly, Vivino, Delectable, and the like were rated “not very” or “not at all” important by a majority of respondents (62%). Exchange rates vs. the dollar were also rated relatively low on importance (23% “not very,” 15% “not at all,” and 8% “don’t know”), but had far higher importance to importers and distributors.

Since the 2013, when Wine Opinions gathered a set of quantitative data among the trade on behalf of Wine Australia, there has been a decrease in the importance of exchange rates vs. the dollar (65% “very”/”somewhat” important in 2013 to 56% in 2015), and an increase in the importance of inventory levels (72% to 81%) and programming to boost margins or affect pricing (75% to 80%). However, these changes could be a reflection of the differences in trade tier makeup between the 2013 and 2015 respondent pools. The 2015 pool of respondents included more on-premise respondents (27% vs. 21% in 2013), off-premise respondents (35% vs. 28% in 2013), and fewer respondents in the tier comprised of the media, educators, public relations, marketing, and other professionals (18% vs. 33% in 2013).

Importance of Imported Wine Sales Factors

	Very Important	Somewhat Important	Not Very Important	Not At All Important	Don't know or no opinion
Style or flavor profile of the wine	62%	32%	5%	0%	1%
Consumer trends	49%	41%	8%	1%	1%
Quality and expertise of wholesaler/importer representative	47%	38%	11%	2%	1%
Programming to boost margins or affect pricing	40%	40%	13%	3%	4%
Incentives to sell/feature the wine	32%	42%	17%	6%	3%
Level of inventories at wholesale or retail	31%	50%	12%	3%	3%
Trade perception of demand	29%	48%	18%	4%	2%
Activities by organizations to promote country/region	24%	47%	23%	5%	1%
Influence or reputation of the leading brand in segment	21%	47%	26%	5%	1%
Exchange rates vs. the dollar	20%	36%	21%	15%	8%
Consumers' use of apps	5%	27%	39%	23%	6%

Distributors and importers found many of these factors significantly more important than other tiers of the trade, including exchange rates vs. the dollar (44% “very” important vs. 9% - 17% of other tiers), level of inventory (54% vs. 19% - 31%), sales incentives (43% vs. 25% - 32%), trade perception of demand (45% vs. 21% - 36%), and wholesaler/importer quality and expertise (61% vs. 38% - 46%).

Style and flavor profile was most important to the on- and off-premise tiers, but especially to on-premise respondents (75% “very” important vs. 64% of off-premise vs. 50% of distributors/importers, and 46% of others). Media and those in the public relations, marketing, education, and consulting fields were twice as likely to consider activities by organizations to promote the country or region’s wines “very” important compared to all other tiers (40% vs. 20% - 22%).

"Very Important" Ratings of Imported Wine Sales Factors by Tier of Trade

	Distributor/ Importer	On-Premise	Off-Premise	All Other
Style or flavor profile of the wine	50%	75%	64%	46%
Consumer trends	43%	41%	57%	50%
Quality and expertise of wholesaler/importer representative	61%	45%	46%	38%
Programming to boost margins or affect pricing	51%	35%	45%	23%
Incentives to sell/feature the wine	43%	25%	31%	32%
Level of inventories at wholesale or retail	54%	19%	31%	25%
Trade perception of demand	45%	24%	21%	36%
Activities by organizations to promote country/region	21%	22%	20%	40%
Influence or reputation of the leading brand in segment	26%	19%	21%	20%
Exchange rates vs. the dollar	44%	9%	17%	17%
Consumers' use of apps	4%	5%	5%	3%

IMPORTANCE OF PROMOTION INITIATIVES

Survey respondents were asked to think of wine region promotion campaigns and to rate a series of promotional initiatives on the importance they attach to them. A scale that included "very," "somewhat," "not very," and "not at all" important was used.

Although all promotional initiatives were considered either "somewhat" or "very" important to at least two-thirds of trade respondents, the initiatives rated most important included trade tastings (74% "very" important) and consumer tastings (64%), followed by visits to key accounts by winemakers from the region (54%). Initiatives that were considered least important by receiving the most "not very"/"not at all" ratings were advertising in trade publications (38%), informational email newsletters (31%), trade-focused social media campaigns (30%), and consumer online advertising campaigns (30%).

Importance of Promotional Campaign Initiatives	Very Important	Somewhat Important	Not Very Important	Not important at all
Tastings for the wine trade	74%	24%	2%	1%
Tastings for wine consumers	64%	30%	5%	0%
Visits to key accounts by regional winemakers	54%	38%	7%	1%
Trade trips to the region	47%	37%	14%	2%
Regional website with information and downloads	41%	47%	11%	1%
POS material for retailers	29%	44%	25%	3%
Social media consumer campaigns	27%	51%	20%	2%
Informational email newsletters	21%	48%	28%	3%
Online consumer advertising	21%	49%	26%	4%
Social media trade campaigns	18%	51%	27%	3%
Advertising in trade publications (print and online)	13%	49%	33%	5%

As with the wine sales factors, there were significant differences by tier of trade. Among factors more important to distributors and importers than to other tiers of the trade were visits to key accounts by winemakers from the region (72% “very” important vs. 46% - 54% of other tiers), social media targeted at the trade (26% vs. 15% - 17%), advertising in trade publications (22% vs. 9% – 10%), and online advertising targeted at consumers (30% vs. 18% of others).

Trade trips were rated “very” important by significantly more distributors/importers (56%) and on-premise respondents (53%) than off-premise respondents (38%).

Not surprisingly, less important to on-premise respondents than to distributors/importers and retailers were consumer tastings (53% “very” important vs. 66% of distributors/importers and 70% of off-premise) and POS materials (20% vs. 41% and 29%). Moreover, email newsletters were also less important to this trade tier (15% “very” important among on-premise vs. 26% among distributors/ importers and 24% among off-premise).

It should be mentioned that those exposed to, or involved in, Australian wine promotions were more apt to find most promotion initiatives more important than those not involved in any promotions, with the exception of email newsletters (rated on the lower side by all respondents) and consumer tastings (consistently highly important to the majority).

Promotional Initiative Involvement by Country

Respondents reported on their involvement in promotional activities related to Australian wine and that of six other countries (Italy, France, Spain, Argentina, Chile, and New Zealand).

Event attendance was highest for the promotions of European countries, with a majority attending Spanish wine events (65%), French wine events (76%), and Italian wine events (78%). Just over half had attended Argentinean and New Zealand wine events (52% and 53% respectively), and just under half had attended Australian and Chilean wine events (48% and 46% respectively). Email newsletter receipt was consistent across countries – approximately four in ten receive them. Facebook and Twitter engagement ranged from one-quarter to one-third of respondents, with Australia one of the countries with which respondents were most engaged (34%), along with Chile (34%) and Argentina (33%). It should be noted that trade members who attended Australian promotional events or followed them via email or Facebook/Twitter were no more likely to forecast growth in Australian wine sales. However, this lack of correlation was also true for several other countries with regards to promotion and communications.

Distributors/importers were the more likely than other tiers to receive Australia's email newsletter (61% vs. 33% of off-premise and 42% of on-premise). However, this was consistent across many other countries. The media and those in the public relations, marketing, education, and consulting fields also tended to have higher email newsletter receipt rates.

The media and those in the public relations, marketing, education, and consulting fields were more apt to follow Australia on Facebook and Twitter (49%) compared to those in the off-premise (32%) and on-premise (28%) tiers. However, the media/education/public relations/marketing tier tends to have the highest social media engagement rates across countries.

Event/Activities Participation by Country

	Attended trade event	Get trade email newsletter	Follow on Facebook/ Twitter
Italy	78%	40%	28%
France	76%	42%	30%
Spain	65%	42%	28%
New Zealand	53%	44%	30%
Argentina	52%	45%	33%
Australia	**48%**	**45%**	**34%**
Chile	46%	47%	34%

Between 70% and 80% of respondents have used POS materials produced by these countries' trade associations, with Australia at the top of this range (80%), again along with Chile (80%). Respondents were less apt to be involved in cooperative promotions (29% - 39%). In that respect, Australia was among the countries with the least cooperative promotion participation (29%). Trade trip participation was in the single digits for Australia (6%), as well as for New Zealand (6%), Chile (8%) and Argentina (9%). More had visited Italy (20%), followed by France (15%) and Spain (11%).

As expected, survey results showed that off-premise survey participants consistently use more POS materials than other tiers. In Australia's case nearly all respondents had used Australian wine-related POS materials (94%), compared to 81% of distributors/importers, 61% of on-premise and 71% of others. Australia had the highest rate of POS usage among all countries for off-premise retailers, while it rated mid-pack in the on-premise and wholesale tiers.

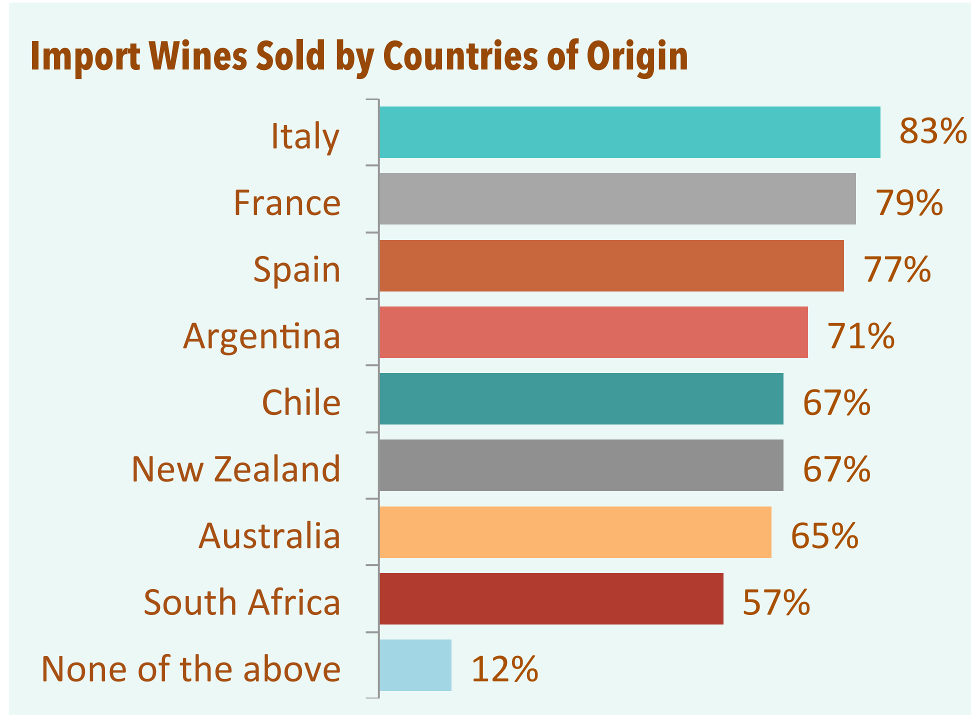
Direct Trade Association Experience by Country

	Used POS materials	Participated in cooperative promotion	Went on trade trip
Australia	**80%**	**29%**	**6%**
Chile	80%	30%	8%
Argentina	79%	31%	9%
New Zealand	78%	30%	6%
Spain	74%	37%	11%
Italy	72%	38%	20%
France	71%	39%	15%

SALES AND REPRESENTATION BY COUNTRY

A total of 83% of survey participants sell or represent wines from Italy, and over three-quarters sell wines from France 79% and Spain 77%. A second tier of import countries, led by Argentina (71%), included Chile and New Zealand (67%), and Australia (65%). South African wine is carried by 57% of respondents.

Off-premise retailers were far more likely to carry all nations' wines, including those of Australia (89% off-premise vs. 67% of on-premise, and 51% of distributors/importers).



Australian Wine Sales

Of those who sell or represent Australian wines, one-quarter each sell between 1 – 4 SKUs (25%) and 5 – 10 SKUs (23%), while one-fifth sell between 11 – 20 SKUs (19%). The remaining respondents who sell Australian wine sell either 21 – 50 SKUs (17%) or more than 50 SKUs (15%). Those involved in Australian wine promotions were more likely than those not involved in any Australian promotions to sell both Australian wine (73% vs. 58%) and New Zealand wine (73% vs. 62%). The number of SKUs carried was lowest among on-premise respondents. Curiously, those who were more optimistic about Australian wine sales did not on average carry more Australian SKUs, suggesting that number of SKUs is more affected by the type of establishment than sales outlook.

Number of Australian SKUs Carried

1-4	25%
5-10	23%
11-20	19%
21-50	17%
More than 50	15%

Changes in Australian Wine Sales

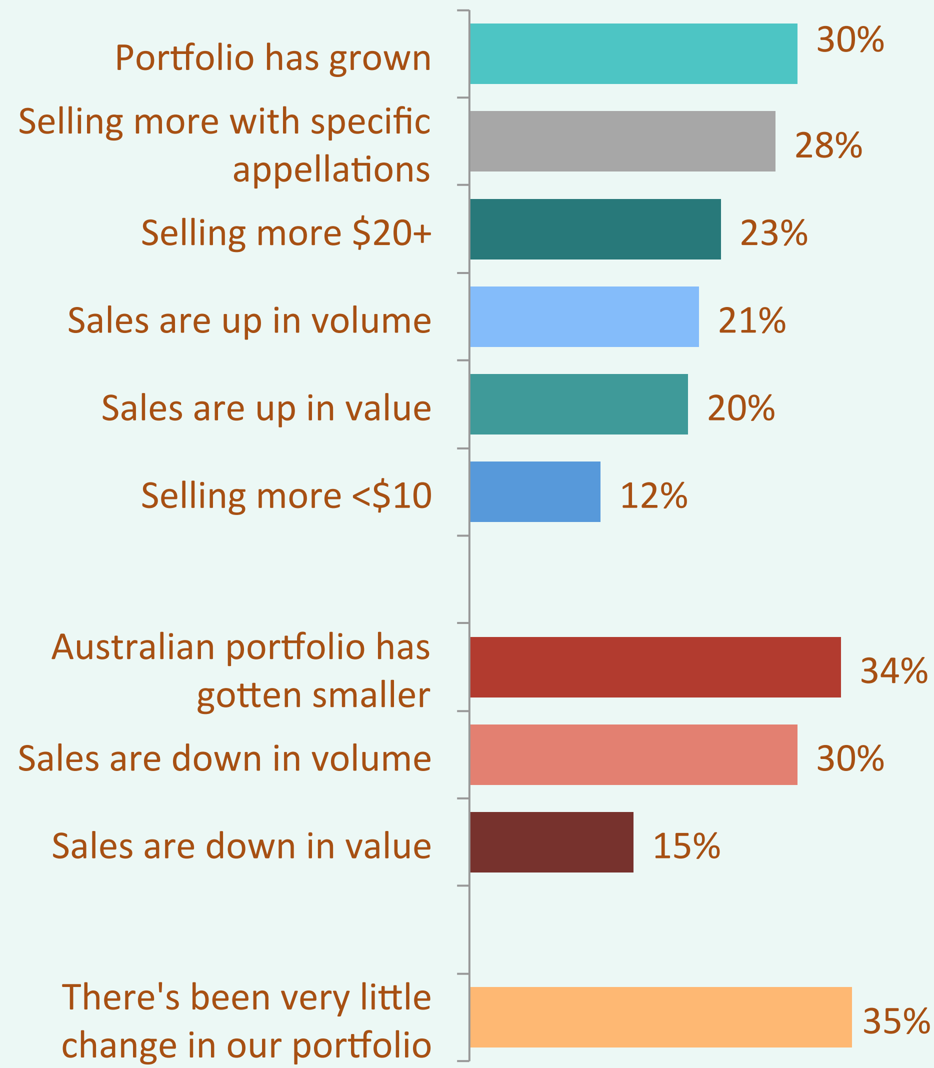
Respondents who sell or represent Australian wine were asked to compare their Australian wine portfolio or sales with that of two years ago, by choosing from a series of statements.

In terms of increases, 30% said their Australian wine portfolio has grown overall. More than one-quarter are selling more Australian wine labeled with specific appellations (28%), and just less than one-quarter are selling more Australian wine in the $20+ price range (23%). Half that many, 12%, have increased sales of Australian wine in the under $10 category. Increases in volume and value were at parity - Australian wine sales volume is up for 21% of respondents who sell Australian wine, and Australian wine value is up for 20%.

One-third of survey participants reported a shrinking Australian wine portfolio (34%). Reports of a decrease in volume (30%) were twice reports of a decrease in value (15%).

Some 35% reported little change in their portfolio of Australian wines.

Changes in Australian Wine Sales/Portfolio Compared to Two Years Ago (Base = sells Australian wines)



Sales growth over the past two years was most prominent among distributors/importers, specifically when it comes to overall portfolio growth (43% vs. 27% of both off- and on-premise respondents), sales of $20+ wines (33% vs. 20% - 21%), and volume increases (33% vs. 17% - 19%). Both distributor/importers and retailers are selling more wines in the under $10 category compared on on-premise respondents (14% vs. 5%).

Sales decreases over the past two years were markedly more apparent among off-premise respondents on all counts – compared to both distributors/importers and on-premise in terms of an overall portfolio decrease (43% vs. 22% of distributor/importers and 27% of on-premise), and compared to on-premise respondents in terms of volume (37% vs. 17%) and value (22% vs. 5%).

Not unexpectedly, those whose outlook on future Australian wine market penetration is positive are more likely to have experienced increases in Australian wine sales, while those with a neutral or negative outlook on future Australian wine market penetration have experienced decreases in Australian wine sales. The same goes for promotions involvement – those involved in Australian wine promotions were more likely to see increases in Australian wine sales over the past few years, while those not involved in Australian wine promotions have seen decreases in Australian wine sales.

Attitudes Toward Australian Wine Among Those Who Don’t Sell Australian Wine

Respondents who don’t sell Australian wine were also asked about their businesses’ experience with and their outlook on Australian wine.

One-quarter of respondents reported they don’t sell Australian wine, but would consider doing so in the future (26%). Another 10% who don’t sell Australian wine indicated they would be likely to sell Australian wine in the future. Nearly one-quarter who don’t sell Australian wine are unlikely to sell it in the future (23%).

Some respondents who do not sell Australian wine reported they did sell it in the past. One-quarter who sold Australian wine in the past did so at their current business but don’t any more (25%), and 31% used to sell Australian wine at a different business.

When it comes to interest in Australian wines among those who do not currently sell it, 36% would like to learn more about new or different Australian wines, while 8% don’t like most Australian wines.

In terms of outlook, twice as many respondents who don’t sell Australian wine have some interest and are optimistic about the wines (31%), as see the sales outlook for Australian wines as weak or negative (15%).

Australian Wine: Business Experience and Outlook
(Base: don't sell Australian wine)

I would like to learn more about new or different Australian wines	36%
I am interested in, or optimistic about some Australian wines	31%
Have sold in the past, but at a different business	31%
Have sold them in the past at my current business, but not currently	25%
Don't sell now, would consider doing so in the future	26%
Don't sell them now, but are likely to in the future	10%
Don't sell them now and are unlikely to in the future	23%
The sales outlook for Australian wines is weak or negative	15%
I don't really like most Australian Wines	8%

PERCEIVED VALUE OF AUSTRALIAN WINE BY PRICE

Respondents rated red and white Australian wine at various price points on their price/quality ratios (value). A rating scale of “7” (very best value) to “1” (very least value) was used. Respondents were also given the opportunity to respond “don’t know or no opinion.”

The value of both red and white Australian wine in four retail price categories was assessed: $10 or less, $11 - $14.99, $15 - $19.99, and $20 and over.

Among Australian red wines, those in the $20 and over price category were rated highest on value (mean of 5.4). This was the only wine category (red or white) for which over half the respondents gave the highest ratings (53% rated it “6” or “7”). In the under $20 price ranges, value ratings for red wines decreased with price, although the mean value rating of 5.2 for red wine in the $15 - $19.99 price range, with 43% top two box rating, shows trade appreciation for this red wine price segment.

Australian Wine Value Perceptions by Price and Color
(Base = sell Australian Wine)

	Mean	Top 2 Box*	Bottom 2 Box**
Red Wine			
Under $10	4.2	16%	11%
$11 - $14.99	4.8	27%	4%
$15 - $19.99	5.2	43%	2%
$20 and over	5.4	53%	2%
White Wine			
Under $10	4.0	13%	13%
$11 - $14.99	4.6	23%	7%
$15 - $19.99	4.8	31%	4%
$20 and over	4.9	35%	5%

*Rated "6" or "7" **Rated "1" or "2"

Among Australian white wines, those priced $15 and over received the highest value ratings. The average rating for white Australian wine in the $15 - $19.99 price category was 4.8 and the $20 and over price category received a 4.9 mean value rating. One-third of the respondents gave white wine in these two price ranges the highest ratings (a “6” or “7”). White Australian wine in the $11 - $14.99 price category was rated 4.6 on average on value, while white wine costing $10 or less received a neutral mean rating of 4.0.

Distributor/importers consistently rated Australian red wines higher on value than other trade tiers. Australian white wines were consistently rated lower on value by the off-premise tier compared to the on-premise and distributor/importer tiers. Those who had been involved in some type of Australian promotions or who had a positive outlook on the growth of Australian wine on the U.S. market rated both red and white wines in all price categories higher on value than other respondents.

AUSTRALIAN WINE REGION FAMILIARITY AND VISITATION

Regional Familiarity

The level of familiarity with Australian wine regions and their wines was measured. The majority of respondents were aware of all of the regions, except for Mornington, for which just less than half had heard of it (49%).

Survey participants were most familiar with Barossa Valley and McLaren Vale, as 57% and 49% respectively indicated they are “very” familiar with the region and that their business sells wines from the region. In terms of familiarity, a distant second tier was comprised of Margaret River (32%), Coonawarra (29%), Clare Valley (25%), and Adelaide Hills (24%).

With the exception of the top two most recognized regions and the one least recognized region, most regions were “somewhat” familiar to a majority of respondents. Of those “somewhat” familiar with Coonawarra, more sell Coonawarra wines then don’t. Although “somewhat” familiar with the regions and their wines, respondents skewed toward not selling wines from Hunter, Clare, and Yarra

Australian Wine Region Familiarity (Base = sells Australian wines)

	Very familiar/ do sell	Somewhat familiar/ do sell	Somewhat familiar/ don't sell	Not familiar
Barossa Valley	57%	29%	8%	6%
McLaren Vale	49%	30%	13%	7%
Margaret River	32%	28%	27%	14%
Coonawarra	29%	33%	26%	12%
Clare Valley	25%	25%	34%	16%
Adelaide Hills	24%	29%	35%	13%
Hunter Valley	18%	27%	38%	17%
Yarra Valley	18%	31%	38%	14%
Limestone Coast	8%	14%	44%	34%
Tasmania	7%	12%	58%	23%
Langhorn Creek	5%	18%	38%	39%
Mornington	5%	7%	37%	51%

Valleys; Adelaide Hills, Tasmania, Langhorn Creek, and Limestone Coast. Those “somewhat” familiar with Margaret River were evenly split between those who do and don’t carry wines from that region.

Distribution (among those “very” or “somewhat” familiar and who sell the region’s wines) was higher among off-premise than among on-premise respondents for Hunter Valley (46% vs. 35%), Barossa Valley (91% vs. 83%), and McLaren Vale (87% vs. 73%) wines.

Levels of familiarity were higher for many of the regions among those involved in some type of Australian wine promotions. However, there seemed to be no correlation between outlook on future Australian wine U.S. market penetration and familiarity with Australia’s regions or sales of its wines.

Australia Visitation

Most respondents have not been to Australia (86%). However, 7% have visited Australian wineries that make wines their companies sell and 10% have visited wineries in Australia that make wines their companies do not sell. Some 3% have attended a wine conference in Australia.

In terms of regions, 9% each have been to South Australia and New South Wales. A total of 8% have visited Victoria and 4% have visited Western Australia.

Australia visitation was lowest among off-premise respondents (9%) when compared to distributors/ importers (24%) and those in the media, public relations, marketing, education, and consulting trade tier (31%). Some 15% of on-premise respondents had been to Australia, a directionally higher rate than off-premise survey participants.

There is clearly a correlation between visitation and promotional involvement and a positive outlook on future growth of Australian wine in the U.S., but it is not known if a positive outlook follows or precedes visitation - 19% of those who have a positive outlook on Australian wine growth in the U.S. have visited Australia (vs. 7% of those with a neutral/ negative outlook) and 20% who have been involved in Australian promotions have visited Australia (vs. 9% those not involved in promotions).

AUSTRALIAN WINE GROWTH POTENTIAL

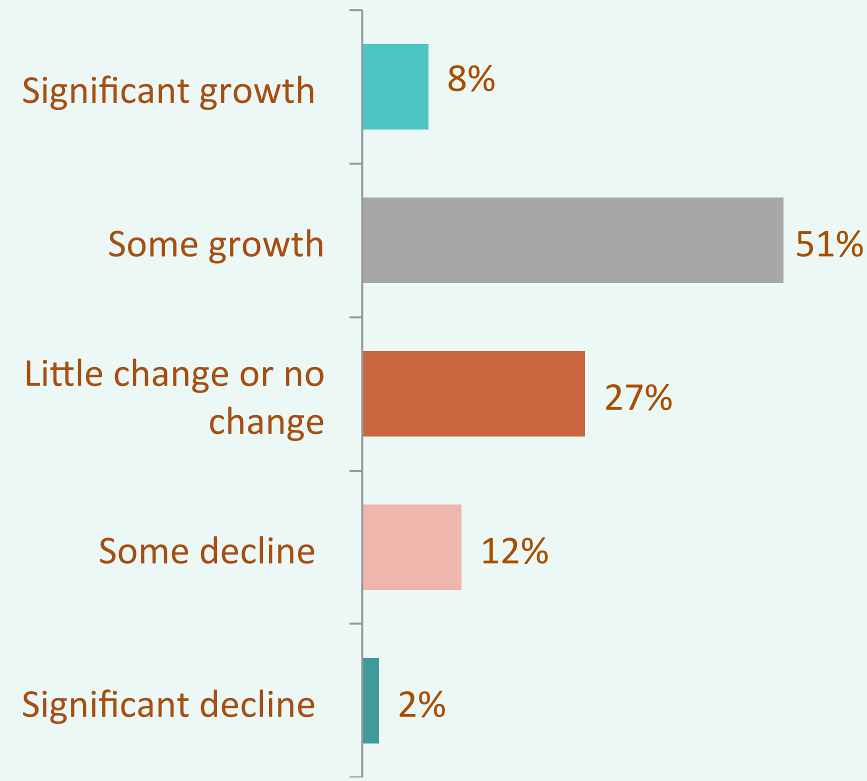
The majority of trade survey participants who sell Australian wine foresee that Australian wine will experience growth in share of market in the U.S. in the next 5 years (59%). However, most estimate “some” growth of share (51%) rather than “significant” growth of share (8%). Nonetheless, this is a statistically significant increase since quantitative data was gathered in 2013, when 47% foresaw positive growth in share of market (40% “some” growth and 7% “significant” growth).

Twice as many respondents think that Australia’s market share will remain stable (27%) as think it will decline (12% “some” decline and 2% a “significant” decline).

Distributors/importers and the on-premise trade are most optimistic about future growth for Australian wine - 68% and 65% respectively predict either “significant” or “some” growth compared to 52% of the off-premise trade. Looking just at predictions of “significant” growth, the on-premise tier is more optimistic than the off-premise tier by twofold (12% vs. 6%).

Those involved in Australian wine promotions are also more optimistic about Australia’s future growth (69% “significant”/”some” growth vs. 48% among others).

Estimation of Australian Wine Growth in the U.S. in Next Five Years (Base = sells Australian wine)



Growth Potential of Australian Varietals and Wine Types

Respondents who sell or represent Australian wine were also asked their opinion of the growth potential on the U.S. market for specific Australian varietals and wine types. They were asked to indicate if they thought each wine had “great” or “good” growth potential, “not much” growth potential, or “no” growth potential. They were also given the option to respond “don’t know/no opinion.”

No one Australian varietal was thought to have “great” growth potential by a majority of respondents. But when looking at positive growth potential (the combination of “great” and “good” growth potential responses), the majority believe Australian red blends have the greatest potential for growth (87% “great”/”good” growth potential). The majority also see “great” or “good” potential for Australian Cabernet Sauvignon (73%), Shiraz (69%), Grenache (66%), Riesling (54%), and Chardonnay (54%). Respondents had the least confidence in the growth potential of Australian Merlot (66% “not much”/”no” growth potential), Pinot Grigio/Gris (57%), and Moscato (52%).

Australian Wine Growth Potential on U.S. Market
(Base = sells Australian wines)

	Great growth potential	Good growth potential	Not much growth potential	No growth potential	Don't know or no opinion
Red blends	34%	53%	9%	2%	2%
Cabernet Sauvignon	22%	51%	22%	1%	3%
Shiraz	21%	48%	25%	3%	3%
Grenache	18%	48%	26%	3%	5%
Riesling	15%	39%	32%	8%	5%
Sauvignon Blanc	12%	37%	39%	8%	4%
Chardonnay	11%	43%	36%	5%	4%
Viognier	9%	35%	37%	12%	7%
Moscato	9%	31%	34%	18%	9%
Pinot Grigio/ Pinot Gris	8%	27%	40%	17%	8%
Merlot	4%	23%	54%	12%	6%

Respondents were relatively polarized when it came to their opinion of the growth potential of Australian Sauvignon Blanc (49% “great”/”good” vs. 47% “not much”/”no” growth potential) and Australian Viognier (44% “great”/”good” vs. 49% “not much”/”no” growth potential).

Looking just at “great” potential ratings, distributors/importers led in positive outlook for red blends (47% vs. 32% of off-premise and 33% of on-premise). On-premise respondents were most optimistic about the potential of Grenache (28% vs. 14% of distributors/importers and off-premise). They also believe that Riesling and Sauvignon Blanc have more potential than do off-premise respondents (26% vs. 9% and 19% vs. 9% respectively). Along with distributors/importers, on-premise respondents were more optimistic about Chardonnay than off-premise respondents (16% of distributors/importers and 14% of on-premise vs. 8% of off-premise).

It should be noted that those who had a positive outlook for the overall growth for Australian wine on the U.S. market, had higher “great” growth rate predictions for all varietals and wine types BUT Merlot, Riesling, and Moscato, for which their “great” growth potential forecasts were at parity with respondents who were neutral or negative about Australian wine growth.

Barriers to Growth

Survey respondents who sell Australian wine were asked their opinion of the greatest barriers to growing share of market in the U.S. for wines from Australia. They were given the opportunity to enter one or two barriers (in the form of one or two words) into open-ended text boxes. Responses were diverse and similar responses were tabulated as a percentage of the total number of respondents who offered at least one barrier (298).

The most often mentioned barriers were related to a perception of Australian wine as low quality, low end, or mass-produced (29% of those who submitted an answer), followed by the Yellowtail/critter wine effect (23%), competition from other wines (21%), and lack of consumer knowledge of or familiarity with Australian wines beyond the “basic” wines offered (21%). The perception of being of poor quality or “cheap” was mentioned by 16%. The belief that the style of Australian wine is too “overripe,” “fruity,” or “overproduced” was mentioned by 10% of respondents who answered the question.

A summary of barriers cited by at least 4% of those who answered the question is at right. A complete list of verbatim responses will be provided as a supplement to this report.

Greatest Barriers to Increasing Australian Wine Market Share in the U.S.
(Base = sell Australian wine and answered question)

Perception as low quality/low end/mass produced wine	29%
Yellowtail effect/critter wines	23%
Competition (general/domestic/other regions)	21%
Lack of consumer knowledge/familiarity (general/beyond basic)	21%
Quality (general)/poor quality/cheap wine	16%
Style of wine/too jammy/overripe/fruit bomb style/over extracted/overproduced	10%
Lack of consumer interest/demand	7%
Price (general)	6%
Market saturation	5%
Value/value to price/quality ratio	4%
Lack of marketing/promotion	4%
Lack of availability/selection/limited selection/domination of big name brands	4%
Homogenized style/too little variety/complexity	4%

Opportunities for Growth

Survey respondents were also asked their opinion of the greatest opportunities to growing share of market in the U.S. for wines from Australia. Again, they were asked to enter one or two opportunities (in the form of one or two words) into open-ended text boxes. Responses were diverse, and similar responses were tabulated as a percentage of the total number of respondents who cited at least one opportunity (295).

Quality – both "good" quality and quality "improvements" – was seen as Australia's greatest opportunity (22%), along with good value (22%). Marketing, advertising, and press; and consumer education about the different regions of Australia, were each mentioned by 12% on respondents who responded to the question. Some 9% cited an emphasis of site specificity or terroir, and an expanded offering of styles and non-mass-market wines. Red blends were mentioned as an opportunity by 5% of respondents.

A summary of opportunities cited by at least 4% of participating respondents is at right. A complete list of verbatim responses will be provided as a supplement to this report.

Greatest Opportunities for Increasing Australian Wine Market Share in the U.S.
(Base = sell Australian wine and answered question)

Quality/good quality/quality improvements	22%
Good quality-to-price ratio/good value	22%
Marketing/advertising/press	12%
Consumer education/education about different areas of Australia	12%
Emphasize site specificity/terroir/region	9%
New varietals/expand offerings/styles/ non-mass market wines	9%
Change style of wines/fewer overly sweet fruit bomb styles/more balanced style	6%
Blends/red blends	5%
Consumer tastings	5%
Price/lower price	5%
Other wine varieties/types (Sparkling/ Rose/Grenache)	5%
Trade education/market visits	4%
Shiraz/customers who like big wine styles like Shiraz/Shiraz brand/styles match consumer tastes	4%
Tastings (general)	4%
Higher end wines/move beyond value wines	4%

The perception that Australian wines are low end or mass produced is a barrier that was cited more often by the on-premise than off-premise trade (36% vs. 24%), while lack of consumer demand is more of a concern for off-premise respondents (8% vs. 2%). Both on- and off-premise respondents see being poor quality or “cheap” as a barrier (19%), twice the rate as among distributors/importers (8%). Those with either a neutral or negative outlook for Australian wine market penetration cited style (15% vs. 6%) and a lack of consumer interest or demand (11% vs. 4%) more often as barriers than those with a positive growth outlook for Australian wine.

Educating consumers in general and in particular about the different regions of Australia was mentioned as an opportunity for Australia most often by the on-premise trade (18% vs. 11% of distributors/importers and 10% of off-premise). Those with a positive outlook on Australian wine’s future on the U.S. market cited its good value more often than those with a neutral or negative outlook on Australian wine growth (26% vs. 16%). Those with a neutral or negative growth outlook were more apt to suggest changing the style of Australian wine (12% vs. 3% of those with a positive growth outlook). This was also the case for those not involved in Australian wine promotions (9% vs. 3% of those involved in Australian wine promotions).

KEY LEARNINGS

- ✓ Among the most important factors when selling imported wine, in the opinion of the trade, are its style or flavor profile, current consumer trends, and the quality and expertise of the wholesaler or importer representative. Least important are exchange rates vs. the dollar, and consumers' use of wine-related apps. Factor importance varied greatly by tier, with exchange rates and inventories being far more important to importers/wholesalers, followed by off-premise retail; consumer trends more impactful for off-premise retail; and flavor or style more important to on-premise.

- ✓ At least two-thirds of trade respondents find all types of promotional initiatives important to campaigns promoting wine regions. Tastings, both trade and consumer tastings, are considered by far the most important promotional efforts, followed by visits to key accounts by regional winemakers and trade trips to the region. Considered relatively less important are email newsletters, advertising, and social media campaigns that target the trade. Again, responses varied considerably by tier: importers/wholesalers were more supportive of key account visits by winemakers; advertising and social media promotion; off-premise joining them in emphasizing consumer tastings and POS support; and on-premise more interested in trade trips and less in consumer tastings or emailed information.

- ✓ Respondent attendance at trade events is highest for events featuring Italy, France, and Spain, as is participation in cooperative promotions and trade trips. For Australia, POS usage was high and at parity with that of Chile, Argentina, and New Zealand. Social media engagement was highest for Australia, Argentina, and Chile. Social media engagement and email newsletter receipt rates tended to be highest among those in the media, public relations, marketing, education and consulting tier of the trade for all countries.

- ✓ The majority of respondents who sell Australian wine were aware of all Australian wine regions but Mornington, of which half the respondents were aware. Respondents are most familiar with Barossa Valley and McLaren Vale. The majority of respondents sell wines from these two regions, as well as from Margaret River, Coonawarra, Clare Valley, and Adelaide Hills.

- ✓ Trade respondents who sell Australian wine were fairly evenly distributed between those with Australian portfolios that have grown, gotten smaller, and stayed the same over the past two years. For these respondents sales growth in volume is on par with sales growth in value. In addition, respondents are selling more wines with specific appellations and in the $20+ price category at higher rates than in the under $10 category. Growth in volume overshadowed growth in value among those with shrinking portfolios. Sales decreases were most prevalent among off-premise respondents.

- ✓ Value perceptions of Australian red wine among those who sell Australian wine were strongest for the wines in the highest price categories and decreased with price. This was also true of value perceptions for Australian white wines. Red wines in all price categories were rated higher on value than white wines. Value perceptions of Australian red wines were highest among the distributors/importer trade tier, and value perceptions of Australian white wines were lowest among the off-premise tier.

- ✓ One-seventh of respondents had visited Australia. Slightly more had visited wineries whose wine they don't sell than visited wineries whose wines they sell, but only by a small margin. Visitation to South Australia, New South Wales and Victoria were at parity, and twice as likely as travel to Western Australia.

- ✓ The majority of respondents who sell Australian wine estimate that that there will be either "significant" or "some" growth for Australian wine on the U.S. market in the next five years. However, most of these respondents predicted "some" growth rather than "significant" growth. Nonetheless, this is a significant increase in positive outlook since 2013. Those who think there will be little change for Australian wine outpaced those who thought there would be a decline in market share by a ratio of 6:1. Distributors/importers and the on-premise trade are the trade tiers most optimistic about the future growth of Australian wine in the U.S. The Australian varietals/wine types respondents believe have the most growth potential are red blends (most enthusiastically by distributors/importers), Cabernet Sauvignon, and Shiraz, followed by Grenache (led by on-premise respondents), Riesling, and Chardonnay.

- ✓ Respondents who sell Australian wine believe the greatest barrier to growth is the perception that Australian wines are of low quality, are low end, and mass-produced (most prevalent among on-premise respondents). Also mentioned at relatively high rates was the Yellowtail/critter wine effect, competition (both domestic and from other regions), and the lack of consumer awareness of Australian wines beyond the most basic. Australian wines' good quality, quality improvements, and good value (especially among those with a positive outlook of the future of Australian wine) are seen as its greatest opportunities.

- ✓ Those with the most positive outlook for future Australian wine market penetration tended to have experienced increases in Australian wine sales in the past two years. However, respondents who don't sell Australian wine were twice as likely to be optimistic about Australian wine than to see sales outlook as weak or negative. This group of the most optimistic respondents also had higher value perceptions of Australian wines across price categories and higher Australia visitation rates than respondents with less positive outlooks.

- ✓ Respondents most involved with Australian wine promotional initiatives tended to have experienced increases in Australian wine sales in the past two years, have higher value perceptions of both red and white wines in all price categories, be more optimistic about future growth of Australian wine on the U.S. market, and have higher Australia visitation rates.

QUESTIONNAIRE

1. Which of the categories below best describes where you work? Please answer based on your company's field and not your job description within the company.

Grape grower, vineyard management or related field *(Disqualifies)*
Wine producer (or working directly for a wine producer) *(Disqualifies)*
Wine trade or regional association *(Disqualifies)*
Wine importer (or working directly for a wine importer)
Distributor, wholesaler, broker or related field
Restaurant, hotel, or hospitality industry
Wine retailer, retail sales, administration or related field
Wine media, educator, academic, or related field
Public Relations, marketing or retail/restaurant consultant
Other wine industry field (please enter) *(Open-ended text box)*

2. What is your age?

Under 21 *(Disqualifies)*
21 - 38
39 - 50
51 - 69
70 and over

3. What is your gender?

Male
Female

4. In what state is your company or place of employment located? *(Drop-down menu)*

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5. Please rate the relative importance of the following factors in selling imported wine, based on what you have seen in your day-to-day business during the past twelve months.

Very important	Somewhat important	Not very important	Not at all important	Don't Know or No Opinion

Exchange rates vs. the dollar

Level of inventories of the wine at wholesale or retail

Activities by organizations to promote the country or region's wine

Programming to boost margins or affect pricing of the wine

Incentives to sell or feature the wine

Trade perception of demand for the wine

Consumer trends in purchasing styles, or types of wine, or wines from a particular region

Style or flavor profile of the wine

Quality and expertise of wholesaler or importer representing the wine

Influence or reputation of the leading or most famous brand(s) in the segment

Consumers' use of apps like Drizly, Vivino, Delectable, and the like

6. Of all the kinds of things that campaigns promoting wine regions do, what importance do you attach to each of the promotional initiatives listed below?

Very important	Somewhat important	Not very important	Not important at all

Tastings for the wine trade

Email newsletters that are informational

A website of the region that provides information and downloads

Tastings for wine consumers

Trade trips to the region

Social media campaigns reaching the trade

Social media campaigns reaching consumers

Point of sale material provided to retailers

Online advertising reaching wine consumers

Advertising in trade publications (print and online)

Visits to key accounts by winemakers from the region

(Factors rotate)

7. In the past year, which (if any) of the following activities related to the wine countries listed below have you participated in or experienced? Please check any/all that apply.

Attended a trade event	Get their trade email newsletter	Follow them on Facebook or Twitter

Italy
Spain
France
Australia
Argentina
New Zealand.
Chile
(Regions rotate)

8. In the past year, what direct experience (if any) have you had with the trade associations of the wine regions below? Please check any/all that apply.

Have used POS materials	Participated in a cooperative promotion	Went on a trade trip to the region

Italy
Spain
France
Australia
Argentina
New Zealand
Chile
(Regions rotate)

9. If your company or place of business sells or represents wines from any of the following countries, please indicate by checking that country.

Australia *(Proceed to Q10; if not chosen, skip to Q23)*
France
Spain
Italy
Chile
Argentina
South Africa
New Zealand
(Countries rotate)

10. How many individual wines or SKUs of Australian wine do you carry, sell or represent at this time?

1- 4
5 - 10
11 - 20
20 - 50
More than 50

11. Thinking of both RED and WHITE wines from Australia selling in the $10 or UNDER price range (750ml bottle at retail) please indicate your opinion of the PRICE/QUALITY ratio (value) of these wines. On the scale of 1 to 7, “7” means the very best quality for the price (value) and “1” means the very worst quality for the price (value). If you don’t know or have no opinion, please select that choice for any wine type that applies.

7 (Most Important)	6	5	4	3	2	1 (Least important)	Don’t know or no opinion

Red wines from Australia
White wines from Australia

12. Thinking of both RED and WHITE wines from Australia selling in the price range of $11 - $14.99 (750ml bottle at retail) please indicate your opinion of the PRICE/QUALITY ratio (value) of these wines. On the scale of 1 to 7, “7” means the very best quality for the price (value) and “1” means the very worst quality for the price (value). If you don’t know or have no opinion, please select that choice for any wine type that applies.

7 (Most Important)	6	5	4	3	2	1 (Least important)	Don’t know or no opinion

Red wines from Australia
White wines from Australia

13. Thinking of both RED and WHITE wines from Australia selling in the price range of $15 - $19.99 (750ml bottle at retail) please indicate your opinion of the PRICE/QUALITY ratio (value) of these wines. On the scale of 1 to 7, “7” means the very best quality for the price (value) and “1” means the very worst quality for the price (value). If you don’t know or have no opinion, please select that choice for any wine type that applies.

7 (Most Important)	6	5	4	3	2	1 (Least important)	Don’t know or no opinion

Red wines from Australia

White wines from Australia

14. Thinking of both RED and WHITE wines from Australia selling in the price range of $20 and OVER (750ml bottle at retail) please indicate your opinion of the PRICE/QUALITY ratio (value) of these wines. On the scale of 1 to 7, “7” means the very best quality for the price (value) and “1” means the very worst quality for the price (value). If you don’t know or have no opinion, please select that choice for any wine type that applies.

7 (Most Important)	6	5	4	3	2	1 (Least important)	Don’t know or no opinion

Red wines from Australia

White wines from Australia

15. What is your opinion of the growth potential on the U.S. market for Australian wines of the following varieties? If you don’t know or have no opinion for a particular variety, please choose that response.

Great growth potential	Good growth potential	Not much growth potential	No growth potential	Don’t know or no opinion

Shiraz

Cabernet Sauvignon

Red blends

Merlot

Grenache

Chardonnay

Riesling

Viognier

Pinot Grigio/Pinot Gris

Sauvignon Blanc

Moscato

(Grape varieties rotate)

16. Compared to two years ago, how have your portfolio of Australian wines and your sales of Australian wines changed? You may check as many as apply.

There has been very little change in our portfolio of Australian wines.

Our portfolio of Australian wines has grown.

Our portfolio of Australian wines has gotten smaller.

Our sales are up in volume.

Our sales are up in value.

Our sales are down in volume.

Our sales are down in value.

We are selling more Australian wines that retail for less than $10 than we did in years past.

We are selling more Australian wines that retail for more than $20 than we did in years past.

We are selling more Australian wine labeled with specific appellations rather than wines with only country or large regional designations.

17. Please indicate your level of familiarity with the following Australian wine regions and their wines.

Not familiar with these wines	Not familiar with these wines	Somewhat familiar, my business DOES NOT sell or represent them	Somewhat familiar, my business DOES sell or represent them	Very familiar, my business DOES sell or represent them

Hunter Valley

Barossa Valley

McLaren Vale

Clare Valley

Yarra Valley

Margaret River

Adelaide Hills

Coonawarra

Tasmania

Langhorn Creek

Limestone Coast

Mornington

(Regions rotate)

18. Please check any of the statements below that apply to you, regarding any experiences you have had while visiting Australia. If you have never been to Australia, please just check the statement "I have not been to Australia."

I have visited wineries in Australia whose wines my company sells or represents.

I have visited wineries in Australia whose wines my company DOES NOT sell or represent.

I have attended a wine conference in Australia.

I have been to Western Australia (Margaret River, Great Southern, etc.).

I have been to South Australia (McLaren Vale, Barossa Valley, Coonawarra, Adelaide Hills, Clare Valley, etc.).

I have been to Victoria in Australia (Yarra Valley, Rutherglen, Mornington Peninsula, etc.).

I have been to New South Wales in Australia (Hunter Valley, Mudgee, etc.).

I have not been to Australia.

19. How do you foresee the growth of Australian wine share of market in the U.S. in the coming five years? Please check the statement that best describes your estimate.

Significant growth of share

Some growth of share

Little change or no change in share

Some decline in share

Significant decline in share

20. In one or two words, what do you think are the TWO greatest BARRIERS for increasing share of market for Australian wines in 750ml bottles selling for over $10 at retail in the U.S. in the coming five years? *(Open-ended text boxes)*

Barrier #1

Barrier #2

21. In one or two words, what do you think are the TWO greatest OPPORTUNITIES for increasing share of market for Australian wines in 750ml bottles selling for over $10 at retail in the U.S. in the coming five years? *(Open-ended text boxes)*

Opportunity #1

Opportunity #2.

22. If you would like to participate in an online discussion group to elaborate on the issues in this survey concerning the market position in the U.S. of Australian wines, please enter your company name and your email address in the text boxes below. All who are selected to participate will receive a $200 honorarium. Those not selected will be entered into a drawing for a $200 cash award.

Company name

Email address

All respondents who indicated in Q9 that they sell Australian wines now skip to Q24.

23. You stated that you do not sell or represent Australian wines in the previous question. Please pick any of the statements below that represent your business' experience or outlook on Australian wines. You may choose more than one.

Have sold or represented them in the past at my current business, but not currently

Have sold or represented them in the past, but at a different business

Don't sell or represent them now, and are unlikely to in the future

Don't sell or represent them now, would consider doing so in the future

Don't sell or represent them now, but are likely to in the future

I don't really like most Australian wines

The sales outlook for Australian wines is weak or negative

I am interested in, or optimistic about some Australian wines

I would like to learn more about new or different Australian wines

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