



“ Wine Opinions ”

# Wine Australia Wine.com Data Report

July 21, 2017

# INTRODUCTION

Wine Opinions is a wine market research company focusing on the attitudes, behaviors, and taste preferences of U.S. wine drinkers. Wine Opinions partnered with Wine.com to provide Wine Australia with an Australian wine sales data analysis as part of its Year 3 research initiatives.

The Wine.com analysis provided a complete set of real transaction data that was used to analyze purchasing differences between Australian and other wine buyers. This data was useful for improving understanding of consumer choices and developing hypotheses to test in the other Year 3 research projects.

When considering the results of this analysis is important to note that Wine.com consumers are only partially representative of the population of frequent wine consumers and buyers of Australian wine.

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# METHODOLOGY

Wine.com sales data was mined and analyzed, with the following objectives:

- ✓ Determine what other types of wines were bought by Australian red wine drinkers and Shiraz buyers.
- ✓ Analyze shifting and switching patterns between Australian Shiraz and other types of wine.
- ✓ Analyze seasonal patterns in Australian wine sales, and response to the 2nd quarter of 2016 promotion.
- ✓ Determine whether Australian Shiraz buyers spent less than other Wine.com customers, or had developed strong price resistance at a certain level.
- ✓ Measure share of purchases by price segment for Australian Shiraz and other Australian wines and compare to Wine.com sales overall.
- ✓ Identify any demographic or quantity per order differences between buyers of Australian wines and Shiraz, and other Wine.com customers.

To analyze shifting preferences among consumers, Wine.com sales were split into two periods: the 52 weeks ending 5/31/16 and the 52 weeks ending 5/31/17. The purchases of three distinct groups of Wine.com customers were analyzed:

- ✓ Those who purchased Australian Shiraz in both periods.
- ✓ Those who purchased Australian Shiraz in Period 1 (5/31/16) but not in Period 2 (5/31/17).
- ✓ Those who did not purchase Australian Shiraz in Period 1, but did so in Period 2.

# WHAT ARE REPEAT, LAPSED, & NEW BUYERS OF AUSTRALIAN SHIRAZ BUYING?

## Repeat Australian Shiraz Buyers (purchased in Periods 1 & 2)

- ✓ Among Wine.com customers, decline in Australian Shiraz purchases is part of an overall decline in Australian reds, not a Shiraz issue entirely.
- ✓ Non-Australian Cabernet Sauvignon is the major beneficiary of shifting away from Australian Shiraz. Pinot Noir, Malbec, and Merlot play a more modest, but significant role. The new wave of red blends is not a big factor.
- ✓ The primary taker from Australian reds in general (and most likely, Shiraz) is non-Australian Cabernet Sauvignon (81% of the source of shifting). Pinot Noir, Merlot, and Malbec collectively take about 18% of the share loss by Australian reds.

## Purchases by Red Wine Type: Wine.com Customers who Purchased Australian Shiraz in Period 1 AND Period 2\* (% avg. customers' red wine units purchased, N = 2500)

WINE TYPE	SHARE OF RED WINE PURCHASES		NET CHANGE	PROPORTION OF AUS LOSS	PRORATED SHARE TAKEN FROM SHIRAZ
	PERIOD 1*	PERIOD 2*			
Aus Shiraz	13.0%	11.3%	-1.7%	na	na
Aus GSM/Rhone	1.3%	0.9%	-0.4%	na	na
Aus Red Blends	2.2%	2.1%	-0.1%	na	na
All other Aus red wine	4.3%	3.0%	-1.3%	na	na
Non-Aus Syrah/Shiraz	2.5%	2.2%	-0.3%	na	na
Non-Aus GSM/Rhone	3.4%	3.1%	-0.3%	na	na
Non-Aus Red Blends	12.1%	12.2%	0.1%	1.8%	0.0%
Non-Aus Zinfandel	4.8%	4.5%	-0.3%	na	na
Non-Aus Cab Sauvignon	17.3%	21.9%	4.6%	80.7%	-1.4%
Non-Aus Bordeaux Blends	7.7%	7.1%	-0.6%	na	na
Non-Aus Pinot Noir (includes Burgundy)	7.5%	7.8%	0.3%	5.3%	-0.1%
Non-Aus Sangiovese (Includes Chianti, etc.)	5.3%	4.5%	-0.8%	na	na
Non-Aus Merlot	2.2%	2.4%	0.2%	3.5%	-0.1%
Non-Aus Malbec	5.3%	5.8%	0.5%	8.8%	-0.1%
All other Non-Aus red	11.2%	11.1%	-0.1%	na	na
Total	100%	100%			

\*Period 1 = 6/1/15 – 5/31/2016, Period 2 = 6/1/16 – 5/31/17

- ✓ Among those buying Shiraz in both periods, ALL Australian reds declined in share in Period 2. In fact, proportionally, the decline in Australian Shiraz was not the largest. Australian GSM and red blends lost a higher percent of their sales share. However, since Shiraz has the largest share of Australian sales, it also comprises the largest share of the sales decline among this group.
- ✓ Relative to their share of sales, non-Australian red blends do not seem to be a big factor in decline of Australian reds.

REPEAT SHIRAZ BUYERS	SHARE OF PERIOD 1 AUS RED SALES	DECLINE IN SHARE/PERIOD 1 SHARE	SHARE OF ALL AUS RED WINE LOSSES
Aus Shiraz	63%	-13%	49%
Aus GSM/Rhone	6%	-31%	11%
Aus Red Blends	11%	-5%	3%
All other Aus red wine	21%	-30%	37%

## Lapsed Australian Shiraz buyers (those who purchased in Period 1, but NOT in period 2)

- ✓ When considering those who stopped buying Australian Shiraz altogether, their purchases of all other Australian reds also declined. Australian Shiraz comprised most of the loss, in total and proportionally, but that may be due in part to the definition of this group (those who stopped purchasing Australian Shiraz, but not necessarily other Australian wines).
- ✓ Relative to their share of sales, non-Australian red blends do not seem to be a major factor among those who stopped purchasing Australian reds or Shiraz.
- ✓ The primary taker of share from those who stopped buying Shiraz is non-Australian Cabernet Sauvignon, responsible for almost three-fourths of the share loss. Pinot Noir, Merlot, and Malbec collectively take about 24% of the share loss by Australian reds.

## Purchases by Red Wine Type: Wine.com Customers who Purchased Australian Shiraz in Period 1, BUT NOT Period 2 (% avg. customers red wine units purchased, N = 3500)

WINE TYPE	SHARE OF RED WINE PURCHASES		NET CHANGE	PROPORTION OF AUS LOSS	PRORATED SHARE TAKEN FROM SHIRAZ
	PERIOD 1*	PERIOD 2*			
Aus Shiraz	9.1%	0.0%	-9.1%	na	na
Aus GSM/Rhone	0.9%	0.4%	-0.5%	na	na
Aus Red Blends	1.2%	1.1%	-0.1%	na	na
All other Aus red wine	3.1%	1.5%	-1.6%	na	na
Non-Aus Syrah/Shiraz	1.8%	1.4%	-0.4%	na	na
Non-Aus GSM/Rhone	3.7%	3.3%	-0.4%	na	na
Non-Aus Red Blends	11.8%	12.1%	0.3%	2.4%	-0.2%
Non-Aus Zinfandel	3.7%	3.7%	0.0%	na	na
Non-Aus Cab Sauvignon	18.6%	27.7%	9.1%	73.4%	-6.7%
Non-Aus Bordeaux Blends	10.9%	10.8%	-0.1%	na	na
Non-Aus Pinot Noir (includes Burgundy)	10.1%	11.7%	1.6%	12.9%	-1.2%
Non-Aus Sangiovese (Includes Chianti, etc.)	6.2%	5.7%	-0.5%	na	na
Non-Aus Merlot	2.1%	2.6%	0.5%	4.0%	-0.4%
Non-Aus Malbec	5.3%	6.2%	0.9%	7.3%	-0.7%
All other Non-Aus red	11.5%	11.8%	0.3%	na	na
Total	100%	100%			

\*Period 1 = 6/1/15 – 5/31/2016, Period 2 = 6/1/16 – 5/31/17

## New Australian Shiraz Buyers (those who did not purchase Shiraz in Period 1, but did so in Period 2)

- ✓ Customers who started buying Australian Shiraz in Period 2 also bought more Australian red blends; but somewhat less of other Australian reds.
- ✓ They shifted share from a wide variety of other wines, with most of those varieties declining around 20% - 25%.
- ✓ Proportionally, the biggest loser to Shiraz was non-Australian red blends.
- ✓ Considering that gains from red blends were fairly minimal, it again points to the conclusion that Red Blends have limited interaction with Australian Shiraz.
- ✓ However, Cabernet Sauvignon and Malbec increased their share of purchases, even among new Shiraz buyers.

## Purchases by Red Wine Type: Wine.com Customers who Purchased Australian Shiraz in Period 2, BUT NOT Period 1\* (% avg. customers' red wine units purchased, N = 2300)

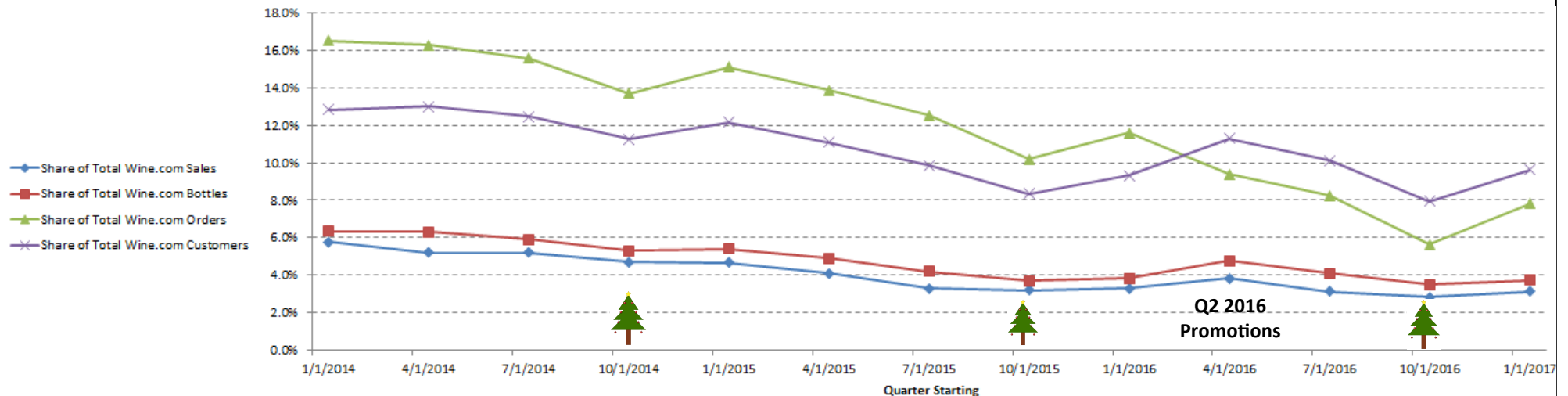
WINE TYPE	SHARE OF RED WINE PURCHASES		NET CHANGE	PROPOR-TION OF TTL LOSSES	PRORATED SHARE OF LOSSES TO SHIRAZ
	PERIOD 1*	PERIOD 2*			
Aus Shiraz	0.0%	8.1%	8.1%	na	na
Aus GSM/Rhone	0.8%	0.7%	-0.1%	0.8%	0.1%
Aus Red Blends	1.1%	1.5%	0.4%	na	na
All other Aus red wine	2.9%	2.1%	-0.8%	6.6%	0.5%
Non-Aus Syrah/Shiraz	2.0%	1.6%	-0.4%	3.3%	0.3%
Non-Aus GSM/Rhone	4.0%	2.9%	-1.1%	9.1%	0.7%
Non-Aus Red Blends	15.2%	12.4%	-2.8%	23.1%	1.9%
Non-Aus Zinfandel	5.0%	3.8%	-1.2%	9.9%	0.8%
Non-Aus Cab Sauvignon	20.8%	23.3%	2.5%	na	na
Non-Aus Bordeaux Blends	9.2%	7.7%	-1.5%	12.4%	1.0%
Non-Aus Pinot Noir (includes Burgundy)	11.9%	10.2%	-1.7%	14.0%	1.1%
Non-Aus Sangiovese (Includes Chianti, etc.)	6.1%	4.8%	-1.3%	10.7%	0.9%
Non-Aus Merlot	2.3%	2.3%	0.0%	na	na
Non-Aus Malbec	4.9%	5.8%	0.9%	na	na
All other Non-Aus red	13.9%	12.7%	-1.2%	9.9%	0.8%
Total	100%	100%			

\*Period 1 = 6/1/15 - 5/31/2016, Period 2 = 6/1/16 - 5/31/17

# WAS THERE AN INCREASE IN SALES AFTER AN AUSTRALIAN WINE PROMOTION MONTH?

- ✓ The Australian promotion run on Wine.com in second quarter 2016 is associated with a modest boost in volume, revenue and share of customers.
- ✓ Although the measures rise and fall in any single quarter, the long term trend from 2014 to first quarter 2017 has been a decline across all measures.
- ✓ Share of orders and customers appear more volatile than share of dollar and bottle sales due to the chart layout. In terms of percent change, they are about the same.
- ✓ Australian, and in fact most still table wines, experience a small loss of share in the last quarter of any year, due to sales shifting to sparkling wines.

**Distribution of Australian Wine Sales** (All Australian wines and all Wine.com wine (for comparison). Gift orders removed)



All Australian Wines	1/1/2014	4/1/2014	7/1/2014	10/1/2014	1/1/2015	4/1/2015	7/1/2015	10/1/2015	1/1/2016	4/1/2016	7/1/2016	10/1/2016	1/1/2017
Share of Total Wine.com Sales	5.8%	5.2%	5.2%	4.7%	4.7%	4.1%	3.3%	3.2%	3.3%	3.8%	3.1%	2.8%	3.1%
Share of Total Wine.com Bottles	6.3%	6.3%	5.9%	5.3%	5.4%	4.9%	4.2%	3.7%	3.8%	4.8%	4.1%	3.5%	3.7%
Share of Total Wine.com Orders	16.5%	16.3%	15.6%	13.7%	15.1%	13.9%	12.5%	10.2%	11.6%	9.4%	8.3%	5.6%	7.8%
Share of Total Wine.com Customers	12.8%	13.0%	12.5%	11.3%	12.2%	11.1%	9.9%	8.4%	9.3%	11.3%	10.1%	7.9%	9.6%



# DOES AUSTRALIAN SHIRAZ HAVE A PRICE CEILING? ARE CORE SHIRAZ BUYERS “CHEAPER” THAN OTHERS?

- ✓ Australian Shiraz sales are distributed among price segments very similar to all non-Australian red wines, with a peak in the \$15 - \$20 segment and small tails of 5.4% under \$10 and 8% over \$50.
- ✓ Australian GSM/Rhone sales are spread more evenly across price ranges, but with very few sales above \$50.
- ✓ Australian red blends skew lower in price. A much smaller proportion of their sales (17.3% vs. 41.7% for Shiraz) are above \$20. The price distribution of all other Australian reds is similar to Shiraz.
- ✓ Australian Shiraz sells a smaller proportion under \$10 than non-Australian reds.
- ✓ Australian Shiraz also sells a smaller proportion at \$30 and over than non-Australian reds (22.2% vs. 29.6%).
- ✓ Those who buy Australian Shiraz tend to spend somewhat more on Australian red blends, somewhat less on non-Australian reds.

**Sales of Australian Red Wines by Varietal and Price Category\***  
(Base: All Wine.com customers)

	AUS SHIRAZ	AUS GSM/ RHONE	AUS RED BLENDS	ALL OTHER AUS REDS	ALL NON- AUS REDS
Under \$10	5.4%	19.7%	11.0%	2.2%	9.55%
\$10 - \$14.99	21.9%	30.6%	25.9%	23.5%	22.8%
\$15 - \$19.99	30.9%	13.2%	46.8%	34.8%	20.9%
\$20 - \$29.99	19.5%	23.5%	9.2%	21.2%	17.1%
\$30 - \$49.99	14.2%	11.7%	0.5%	13.5%	15.0%
\$50+	8.0%	1.2%	6.6%	4.9%	14.6%

\*Measure: # of bottles; period = 6/1/16 - 5/31/17

**Sales of Australian Red Wines by Varietal and Price Category\***  
(Base: Australian Shiraz buyers only)

	AUS SHIRAZ	AUS GSM/ RHONE	AUS RED BLENDS	ALL OTHER AUS REDS	ALL NON- AUS REDS
Under \$10	6.5%	20.5%	5.1%	2.2%	13.3%
\$10 - \$14.99	20.8%	28.7%	19.9%	20.3%	26.2%
\$15 - \$19.99	31.1%	14.4%	55.3%	37.1%	22.8%
\$20 - \$29.99	19.5%	22.6%	10.7%	25.0%	16.2%
\$30 - \$49.99	14.3%	13.0%	0.4%	11.6%	12.0%
\$50+	7.9%	0.9%	8.6%	3.9%	9.5%

\*Measure: # of bottles; period = 6/1/16 - 5/31/17

# ARE CORE AUSTRALIAN RED WINE BUYERS DIFFERENT FROM OTHER RED WINE BUYERS IN OTHER WAYS?

- ✓ There is little difference between buyers of Australian reds and other red wine buyers in terms of age and geographic distribution (other than California). This difference in Californians may be attributed to California residents purchasing a disproportionate amount of California wine.
- ✓ Australian red wine buyers spend less on average per bottle of wine.
- ✓ Unless there is a strong gender or household income difference between these two groups (to be determined by the Wine Opinions consumer survey), it is likely that the differences between Australian red buyers and those who don't buy Australian red wine is influenced more by taste and perceptions of the wine than by demographics.

## Differences Between Wine.com Australian Red Wine Buyers and Other Wine.com Red Wine Buyers

	AUSTRALIAN RED WINE BUYERS	ALL OTHER RED WINE BUYERS
Average price per bottle	\$26.02	\$30.67
% aged under 40	26.0%	29.2%
% aged 40 - 60	49.9%	48.2%
% aged 61+	24.1%	22.5%
% in California	12.0%	17.8%
% in OR/WA	3.2%	3.6%
% in NY/CT/NJ	19.7%	17.5%
% in TX	5.9%	6.2%
% in IL	4.1%	5.3%
% in FL	5.3%	5.6%
% in all other states	49.8%	44.0%

# WHAT ELSE ARE SHIRAZ BUYERS PURCHASING? WHICH TYPES OF WINE HAVE THE BIGGEST OVERLAP WITH SHIRAZ?

- ✓ Even among Australian Shiraz buyers, Australian wines are a minority of their red wine purchases (17.3%).
- ✓ Those who don't buy Australian Shiraz also buy few Australian reds in general, especially Rhone / GSM and red blends.
- ✓ This suggests that a) there is synergy between various Australian varieties, and b) customers tend to buy Australian wines in general or not, rather than buying or not buying Australian Shiraz in particular.
- ✓ Australian Shiraz buyers do index higher for Syrah/Shiraz from other countries, suggesting some overlap, although not strong. This is only slightly true for GSM/Rhone.
- ✓ Australian Shiraz buyers index moderately higher for Zinfandel and Malbec, and dramatically lower for Cabernet Sauvignon and Pinot Noir.

**Wine.com Customer Red Wine Purchases by Wine Type: Australian Shiraz Buyers vs. All Other Red Wine Buyers\***

	AVERAGE AUS SHIRAZ BUYER	AVERAGE OF ALL OTHER RED WINE BUYERS
Aus Shiraz	12.1%	0.0%
Aus GSM/Rhone	0.8%	0.2%
Aus Red Blends	1.8%	0.5%
All other Aus red wine	2.6%	0.9%
Non-Aus Syrah/Shiraz	2.0%	0.9%
Non-Aus GSM/Rhone	2.8%	2.5%
Non-Aus Red Blends	11.8%	11.8%
Non-Aus Zinfandel	4.0%	3.3%
Non-Aus Cab Sauvignon	21.6%	31.5%
Non-Aus Bordeaux Blends	7.1%	8.7%
Non-Aus Pinot Noir (includes Burgundy)	9.1%	15.1%
Non-Aus Sangiovese (Includes Chianti, etc.)	4.5%	6.1%
Non-Aus Merlot	2.3%	2.9%
Non-Aus Malbec	5.9%	5.1%
All other Non-Aus red	<u>11.5%</u>	<u>10.5%</u>
Total	100%	100%

\*Period = 6/1/16 – 5/31/17



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